Ronald McDonald House at Stanford

December 31, 2009

Independent Auditors' Report

and

Financial Statements

Ronald McDonald House at Stanford

Table of Contents

HOOD & STRONG LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

THE BOARD OF DIRECTORS
RONALD McDONALD HOUSE AT STANFORD
Palo Alto, California

We have audited the accompanying statement of financial position of ***Ronald McDonald House at Stanford (the House)*** as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the House's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the House's 2008 financial statements and, in our report dated July 1, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 at Stanford 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.

Hood & Strong LLP

July 15, 2010

Consultants and

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Ronald McDonald House at Stanford

Statement of Financial Position

December 31,	2009	2008
Assets		
Cash and cash equivalents	$ 3,244,737	$ 4,364,536
Certificates of deposit	2,999,892	
Pledges and other receivables, net	3,454,179	37,331
Lease contribution receivable	2,206,907	2,257,066
Prepaid expenses	44,415	51,020
Investments	13,828,991	12,122,268
Property and equipment, net	13,770,684	14,206,573
Total assets	$ 39,549,805	$ 33,038,794

Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 3,104	$ 22,070
Accrued expenses	143,437	165,597
Total liabilities	146,541	187,667
Net Assets:		
Unrestricted:		
Operating	4,363,684	4,198,309
Board designated	841,370	
Property	13,770,684	14,206,573
Total unrestricted	18,975,738	18,404,882
Temporarily restricted (see Note 8)	11,491,995	5,551,885
Permanently restricted (see Note 9)	8,935,531	8,894,360
Total net assets	39,403,264	32,851,127
Total liabilities and net assets	$ 39,549,805	$ 33,038,794

The accompanying notes are an integral part of this statement.

Ronald McDonald House at Stanford

Statement of Activities

Year Ended December 31, 2009 (with comparative totals for the year ended December 31, 2008)

	2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
Revenues, Gains and Other Support					
Contributions	$ 1,308,413	$ 4,554,863	$ 41,171	$ 5,904,447	$ 1,528,884
Special events revenues:					
Sponsorships and participants	1,172,525	94,000		1,266,525	1,376,365
In-kind	214,383			214,383	329,968
Less: Direct benefit costs	(150,060)			(150,060)	(150,491)
Net revenue from special events	1,236,848	94,000		1,330,848	1,555,842
Interest and dividends	79,787	405,438		485,225	462,835
Donated goods and services	405,262	178,729		583,991	500,680
Room donations	78,430			78,430	75,196
Program service revenue	164,392			164,392	169,152
Other income	5,580			5,580	7,591
Net assets released from restrictions	1,004,651	(1,004,651)			
Total revenues	4,283,363	4,228,379	41,171	8,552,913	4,300,180
Expenses					
Program expenses:					
Disbursed	1,801,668			1,801,668	1,998,993
In-kind	626,088			626,088	528,783
Total program expenses	2,427,756			2,427,756	2,527,776
Fundraising expenses:					
General solicitation					
Disbursed	567,263			567,263	578,820
In-kind	2,222			2,222	12,495
Special events					
Disbursed	217,809			217,809	206,635
In-kind	215,334			215,334	329,968
Total fundraising expenses	1,002,628			1,002,628	1,127,918
Management and administrative expenses	295,115			295,115	315,282
Total expenses	3,725,499			3,725,499	3,970,976
Change in Net Assets before Net Investment Income (Loss)	557,864	4,228,379	41,171	4,827,414	329,204
Net realized and unrealized gain (loss) on investment	12,992	1,711,731		1,724,723	(3,942,461)
Change in Net Assets	570,856	5,940,110	41,171	6,552,137	(3,613,257)
Net Assets, beginning of year	18,404,882	5,551,885	8,894,360	32,851,127	36,464,384
Net Assets, end of year	$ 18,975,738	$ 11,491,995	$ 8,935,531	$ 39,403,264	$ 32,851,127

Ronald McDonald House at Stanford

Statement of Functional Expenses

Year Ended December 31, 2009 (with comparative totals for the year ended December 31, 2008)

	Program Services	Fundraising	Management and Administrative	Total 2009	Total 2008
Salaries	$ 574,424	$ 244,809	$ 164,658	$ 983,891	$ 919,643
Payroll taxes and benefits	120,219	51,235	34,461	205,915	189,961
Total salaries, payroll taxes and benefits	694,643	296,044	199,119	1,189,806	1,109,604
Depreciation	434,392	4,353	9,576	448,321	537,385
Special events - all other costs		217,809		217,809	206,635
Other fundraising events		32,934		32,934	35,350
Cleaning service and supplies	125,993	1,263	2,778	130,034	162,712
Insurance	95,513	957	2,106	98,576	97,545
Printing and supplies	74,610	108,342	3,232	186,184	196,013
Utilities	105,939	1,062	2,335	109,336	105,722
Professional fees	87,694	32,174	51,160	171,028	297,323
Repairs and maintenance	50,627	494	1,087	52,208	69,999
Public relations and newsletter	57,318	1,546	1,040	59,904	60,458
Telephone	26,512	266	584	27,362	29,930
Outside contractors	12,290	33,497	7,680	53,467	61,459
Hotel accommodations	6,180			6,180	7,010
Meetings and training	7,016	4,590	2,011	13,617	14,666
Rentals	5,015	2,137	1,438	8,590	10,160
Postage	6,513	2,776	1,867	11,156	10,829
Taxes and fees	5,987	4,296	118	10,401	12,757
Other	5,426	40,532	4,095	50,053	68,751
Total before in-kind expenses	1,801,668	785,072	290,226	2,876,966	3,094,308
In-kind expenses:					
Rent	221,777	2,222	4,889	228,888	228,888
Other	404,311	215,334		619,645	647,780
Total in-kind	626,088	217,556	4,889	848,533	876,668
	$ 2,427,756	$ 1,002,628	$ 295,115	$ 3,725,499	$ 3,970,976

Ronald McDonald House at Stanford

Statement of Cash Flows

Years Ended December 31,	2009	2008
Cash Flows from Operating Activities:		
Change in net assets	$ 6,552,137	$ (3,613,257)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	448,321	537,385
Bad debt expense (recovery), net		20,000
Unrealized loss (gain) on long-term investments	(1,853,338)	4,064,797
Realized gain on long-term investments	128,615	(122,336)
Donated stocks, excluding those included in capital campaign	(99,703)	(155,072)
Contributions restricted for capital campaign, net	(3,875,810)	
Loss on disposal of property and equipment	1,697	
Additions to permanently restricted funds	(41,171)	(72,258)
Rent expense in-kind	228,889	228,889
Amortization of discount on lease contribution receivable	(178,730)	(182,869)
Changes in operating assets and liabilities:		
Receivables, other than capital campaign	(148,602)	66,859
Prepaid expenses	6,606	5,439
Accounts payable and accrued expenses	(41,127)	32,279
Net cash provided by operating activities	1,127,784	809,856
Cash Flows from Investing Activities:		
Purchase of short-term certificates of deposit	(2,999,892)	
Purchase of investments	(11,081,689)	(8,477,762)
Proceeds from the sale of investments	11,686,397	8,138,707
Purchase of property and equipment	(14,129)	(31,052)
Net cash used by investing activities	(2,409,313)	(370,107)
Cash Flows from Financing Activities:		
Capital campaign contributions received in cash	120,559	111,200
Additions to permanently restricted net assets	41,171	72,258
Net cash provided by financing activities	161,730	183,458
Increase in Cash and Cash Equivalents	(1,119,799)	623,207
Cash and Cash Equivalents, beginning of year	4,364,536	3,741,329
Cash and Cash Equivalents, end of year	$ 3,244,737	$ 4,364,536

Supplemental Disclosure of Cash Flow Information:

No payments for interest or income taxes were made during 2009 and 2008.

Supplemental Noncash Investing and Financing Activities:

During 2009 and 2008, the House received donated goods and services valued at $583,040 and $490,407, respectively, for programs and $215,334 and $340,241, respectively, for fundraising events.

During 2009, the House received donated securities valued at $487,005 for the capital campaign.

Note 1 - Description of the Organization:

Ronald McDonald House at Stanford (the House) was organized in 1978 for the purpose of providing low-cost temporary housing for children with life-threatening illnesses and their families who live in other communities but are receiving specialized medical treatment at nearby hospitals. The House previously operated under the name Children's Hospital at Stanford Family Center. In September 1996, the Board of Directors amended the articles of incorporation, changing the name to Ronald McDonald House at Stanford. Since the House opened in 1979, the donation requested from the families has remained at a modest $10 per night and no family is ever turned away due to inability to pay. The House is located in Palo Alto, California.

The little ones coming for treatment have a variety of life-threatening conditions that often require intensive invasive procedures including solid organ transplants (heart, liver, kidney, lung, etc.); cancer treatments, including bone marrow and stem cell transplants; and neurological surgery. Of the families who stay at the House, 70% come from California, 28% come from other states, and 2% are from other countries around the world. Ronald McDonald House at Stanford is the only organization offering specially-designed, communal housing to families with children being treated at Lucile Packard Children's Hospital.

Forty-seven guestrooms offer families a place to stay that is designed to meet their specific needs during this challenging time. The House features a Children's Activity Room, Teen Recreation Center, Computer Center, family library, and fitness center. Shared areas such as a large kitchen and dining room, TV rooms on each floor and a multi-purpose "great room" create a sense of community among the families. Additional benefits offered through the House help families with everyday tasks that could otherwise be daunting: shuttles to and from the hospital, free laundry facilities, group trips to the grocery store, breakfast provided seven days a week, and dinner brought in at least three nights a week.

Programs offered to the families staying at the House include activities that provide the children with an opportunity to enjoy their childhoods in spite of the serious nature of their illnesses and provide a distraction from their stressful days and an opportunity for relaxation and healing. These activities are often led by volunteers and include Art from the Heart, Bingo Night, birthday celebrations, story time, Furry Friends pet-assisted therapy, healing gardens, massages, Quilts of the Heart, scrap-booking, and yoga.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

b. Description of Net Assets

Unrestricted Net Assets - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

Temporarily Restricted Net Assets - the portion of net assets which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the House.

Permanently Restricted Net Assets - the portion of net assets which use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the House.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of short-term, highly liquid investments with original maturity dates of three months or less and excludes cash held in managed investment accounts.

d. Certificates of Deposit

As part of its cash management policy, the House, from time to time, maintains a portfolio of certificates of deposit with maturities from six to 24 months.

e. Pledges Receivable

Unconditional promises to give are recorded at their net realizable value. If such promises to give are due in more than one year, they are discounted to the present value of their estimated future cash flows using a market rate.

f. Lease Contribution Receivable

As discussed in Note 3, the House and its facilities are located on a leased parcel of land for which the rental payments are significantly discounted. During 2006, the House obtained an independent appraisal of the value of the lease and has recorded it as a lease contribution receivable on the Statement of Financial Position. The receivable has been discounted to its net present value.

g. Investments

Investments consist of money market funds, marketable equity securities and debt securities and are stated at fair values using quoted market prices. Unrealized and realized gains and losses are reflected in the Statement of Activities.

h. Property and Equipment

Property and equipment are recorded at cost, if purchased, and at estimated fair value, if donated, provided there is an objective basis for determining the value. Depreciation is calculated on the straight-line basis using an estimated useful life of 5 to 7 years for furniture and equipment and 30 and 39 years for the renovated and new buildings, respectively.

Expenditures for major renewals and betterments are capitalized, while expenditures for maintenance and repairs, which do not improve assets or extend their useful lives, are charged to expense as incurred. When property is retired, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized.

i. Revenue Recognition

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the House. 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 and reported in the Statement of Activities as net assets released from restrictions.

Special event revenue is recognized when the event is held. Goods and services donated for the special events are recognized as in-kind revenue and expense at their estimated fair value on the date donated. Non-in-kind program and fundraising expenses are shown as “Disbursed” on the Statement of Activities.

Donated stock, materials and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose.

j. Volunteer Services

For the year ended December 31, 2009, the House benefited from approximately 9,600 hours of volunteer assistance. The value of this contributed time is not reflected in these financial statements because the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605-25, *Contributions Received* have not been met.

k. Expense Allocation

The costs of the House's various activities have been summarized on a functional basis in the Statement of Functional Expenses. Certain costs have been allocated among the different functions based on management's estimates.

l. Income Taxes

The House has been granted tax-exempt status under Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code. In addition, the House has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The FASB has issued new guidance on accounting for uncertainty in income taxes. The House adopted this new guidance for the year ended December 31, 2009. Management evaluated the House's tax positions and concluded that the House had maintained its tax exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

m. Fair Value of Financial Instruments

The House has adopted FASB ASC Topic 820, Fair Value Measurements. ASC Topic 820 applies to all financial assets and liabilities that are measured and reported on a fair value basis and requires such assets to be classified and disclosed in one of the following three categories to enable readers of the financial statements to assess the inputs used to develop those measurements:

Level 1 Quoted prices unadjusted in active markets for identical assets or liabilities.

Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

n. 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

o. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the House's financial statements for the year ended December 31, 2008 from which the summarized information was derived.

p. Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform with the 2009 presentation.

q. Subsequent Event

The House has reviewed the results of operations for the period of time from its fiscal year ended December 31, 2009 through July 15, 2010, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure.

r. New Accounting Pronouncements

The FASB issued the Accounting Standards Codification (ASC). The ASC is the single source for all authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The ASC reorganizes GAAP pronouncements into accounting topics and displays all topics using a consistent structure. The House adopted the ASC standard effective December 31, 2009.

Note 3 - Lease Contribution Receivable:

The House and its facilities are located on a leased parcel of land in Palo Alto, California. The terms of the lease require an annual rental payment of $1.00 through the year 2028. The House applies FASB ASC Topic 958-605-55-24, which requires the House to recognize as revenue and a contribution receivable the difference between the fair rental value of the property and the stated amount of the lease payment. A lease contribution receivable has been recorded as follows as of December 31, 2009 and 2008:

	2009	2008
Current portion of lease contribution receivable	$ 228,889	$ 228,889
Noncurrent portion of lease contribution receivable	4,005,556	4,234,444
Less: discount to net present value	(2,027,538)	(2,206,267)
Noncurrent portion of lease contribution receivable, net	1,978,018	2,028,177
	$ 2,206,907	$ 2,257,066

Note 4 - Pledges and Other Receivables:

As of December 31, 2009 and 2008, receivables consist of the following:

	2009	2008
Capital campaign	$ 3,595,411	$ 3,667
Permanently restricted purposes	390	440
Other unrestricted purposes	181,877	33,224
Total receivables	3,777,678	37,331
Less allowance for doubtful accounts	(143,816)	
Less discount to net present value	(179,683)	
Total net receivables	$ 3,454,179	$ 37,331

Net receivables are anticipated to be collected as follows:

	2009	2008
Within 1 year	$ 2,084,470	$ 34,864
Within 1 to 5 years	1,369,709	2,467
Total net receivables	$ 3,454,179	$ 37,331

During the year ended December 31, 2009 the House received a conditional promise to give from a donor in the amount of $1,000,000. This grant will be awarded upon the House raising certain funds as part of the Capital Campaign. As sufficient funds have not yet been raised, this gift has not been recognized in the Statement of Activities

Note 5 - Investments:

Investments are comprised of the following at December 31, 2009 and 2008:

	2009		
	Fair Value	Cost	Unrealized Gain (Loss)
Money market funds	$ 710,516	$ 710,516	
Debt securities	4,072,544	4,014,905	$ 57,639
Equity securities	9,045,931	9,595,555	(549,624)
Total investments	$ 13,828,991	$ 14,320,976	$ (491,985)

	2008		
	Fair Value	Cost	Unrealized Gain (Loss)
Money market funds	$ 1,529,887	$ 1,529,887	
Debt securities	4,892,098	4,865,765	$ 26,333
Equity securities	5,700,283	8,058,406	(2,358,123)
Total investments	$ 12,122,268	$ 14,454,058	$ (2,331,790)

Note 6 - Fair Value Measurements

In accordance with FASB ASC Topic 820, financial instruments measured at fair value at December 31, 2009 as follows:

	Level 1	Level 2	Total
Certificates of deposit		$ 2,999,892	$ 2,999,892
Investments			
Money market funds	$ 710,516		710,516
Debt securities	998,073	3,074,471	4,072,544
Equity securities	9,045,931		9,045,931
Total investments	$ 10,754,520	$ 3,074,471	$ 13,828,991
Total financial instruments	$ 10,754,520	$ 6,074,363	$ 16,828,883

Note 7 - Property and Equipment:

At December 31, 2009 and 2008, property and equipment and accumulated depreciation are as follows:

	2009	2008
Building	$ 17,167,020	$ 17,167,020
Furniture and equipment	687,191	703,361
Artwork	53,252	53,252
	17,907,463	17,923,633
Less accumulated depreciation	(4,136,779)	(3,717,060)
	$ 13,770,684	$ 14,206,573

Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are restricted as follows at December 31, 2009 and 2008:

	2009	2008
Lease contribution receivable, net	$ 2,206,902	$ 2,257,066
Capital campaign	4,464,210	20,000
To be expended in future periods	204,655	154,330
Earnings on endowment net assets (see change of law effective beginning in 2008, discussed in Note 9)	4,616,228	3,120,489
	$ 11,491,995	$ 5,551,885

Net assets were released from restrictions during 2009 and 2008 for the following purposes:

	2009	2008
Recognition of donated lease	$ 228,889	$ 228,889
Other time restrictions	154,331	154,020
Appropriation from endowment for House operations	621,431	
	$ 1,004,651	$ 382,909

Note 9 - Endowment:

The House's endowment consists of three donor restricted funds established for the benefit of the House; the Kroc Fund, the Children's Legacy Fund and the Program Endowment Fund. The Kroc Fund consists of a $500,000 gift from Joan B. Kroc. The Children's Legacy Fund (CLF) began as a gift from the David and Lucile Packard Foundation. The CLF requires that the initial funds be preserved and allows donors to stipulate a permanent restriction on all memorial and planned gifts. Contributions placed in this fund during the year ended December 31, 2009 amounted to $41,171. The Program Endowment Fund consists of contributions to a prior capital campaign that donors gave permission to be transferred to a permanent endowment fund.

As required by Generally Accepted Accounting Principals (GAAP), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor- imposed restrictions. All endowment gifts stipulate that the principal remain intact and that investment earnings be expended on House operations.

The permanently restricted net assets of these funds consist of the following on December 31. 2009:

Kroc Endowment Fund	$ 500,000
Children’s Legacy Fund	6,185,516
Program Endowment Fund	2,250,015
	$ 8,935,531

Interpretation of Relevant Law

The Board of Directors of the House has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair market 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, the House 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 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with 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 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 House has adopted investment and spending policies for endowment assets with the philosophy that the House is to exist in perpetuity, and therefore, should provide for spending in perpetuity. To attain this goal, the overriding objective of the House is to maintain purchasing power while preserving the endowment corpus. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to grow the aggregate portfolio value at the rate of the Bay Area Consumer Price Index plus 4.5% over the House's investment horizon while assuming a moderate level of investment risk. The House expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the House relies on a total return strategy in which investment returns are achieved through both capital and appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The House has a policy that provides the Board of Directors the discretion to spend up to 4.5% of the three year rolling average of the actual fund's value. In establishing this policy, the House considered the long-term expected return on its endowment. Accordingly, over the long term, the House expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. The House appropriated $621,431 during the year ended December 31, 2009 for expenditure on operations.

Changes in endowment net assets for the year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 0	$ 3,120,489	$ 8,894,360	$ 12,014,849
Investment return:				
Investment income		405,438		405,438
Net realized and unrealized gain on investment		1,711,732		1,711,732
Total investment return		2,117,170		2,117,170
Contributions, net			41,171	41,171
Amounts appropriated for expenditure		(621,431)		(621,431)
Endowment net assets, end of year	$ 0	$ 4,616,228	$ 8,935,531	$ 13,551,759

Note 10 - Fundraising Costs:

Denim to Diamonds and the Randy Cross Invitational are the two major fundraising events which are held annually along with various other special events. Including event associated contributions, total proceeds from special events were $1,480,908 and $1,706,333 in 2009 and 2008, respectively and associated expenses were $582,252 and $687,094 in 2009 and 2008, respectively. Included in these revenue and expense amounts are $214,383 and $329,968 of in-kind contributions of goods and services provided as an integral part of these events. Net proceeds from these events were $898,656 and $1,019,239 in 2009 and 2008, respectively.

Note 11 - Retirement Plan:

The House maintains a profit sharing plan for full-time employees who are eligible after 12 months of service. The House generally contributes 5% of eligible employees' compensation beginning with their respective plan entry date. The House made contributions of $38,543 and $33,308 to the plan for the year ended December 31, 2009 and 2008, respectively.

The House also maintains a tax deferred 403(b) plan for all eligible employees. The House makes no contributions under the plan, and all of the costs of the plan's administration were paid for by participants during the years ended December 31, 2009 and 2008.

Note 12 - Concentrations of Risk:

The House has defined its financial instruments which are potentially subject to credit risk as cash, receivables, short-term certificates of deposit and investments.

At December 31, 2009 and 2008, the House had cash deposits in excess of federally insured limits. Pledges receivable are due from various individuals which mitigate the risk associated therein. Approximately $494,000 and $6,000 of net pledges receivable are due from Board members and staff at December 31, 2009 and 2008, respectively. Investments are subject to a formal investment policy.

The majority of the House’s revenue is from public and private donations, along with several fundraising events scheduled throughout the year. The success of these events could vary from year to year.

The House received approximately $882,000 and $395,000 in donations from Board members and staff in 2009 and 2008, respectively.

Note 13 - Long-Term Housing Needs:

While the House served 568 families in 2009, the facility is not able to serve all of the families of seriously ill children who need housing. During 2009, an average of 12 families each night were housed off-site due to a lack of rooms and it is anticipated that the 100 additional beds planned in Lucile Packard Children's Hospital's expansion will further impact the number of families seeking housing locally. Since 2006, the Board of Directors and a special Task Force have been working to get a clear picture of the current and future needs of the families at the House. Included in this effort is finding a long-term solution that allows the House to welcome every referred family to a room in this home-away-from-home, as well as to continue to provide the House services as effectively as possible. In 2009, included in the Statement of Activities is approximately $65,000 of professional fees related to finding a long-term solution to meet all current and projected housing needs.