

***RONALD MCDONALD HOUSE CHARITIES
OF TAMPA BAY, INC.***

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ronald McDonald House Charities
of Tampa Bay, Inc.

We have audited the accompanying statements of financial position of Ronald McDonald House Charities of Tampa Bay, Inc. (the Organization) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended, and the related statement of functional expenses for the year ended December 31, 2011. 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 audits. The prior year summarized comparative information included in the statement of functional expenses has been derived from the Organization's 2010 financial statements and, in our report dated June 1, 2011, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Tampa Bay, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Clearwater, Florida
May 11, 2012

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Cash	\$ 29,332	\$ -
Cash - temporarily restricted	362,693	262,161
Certificates of deposit - temporarily restricted	-	116,573
Unconditional promises to give, net - temporarily restricted	26,609	50,782
Other receivables	1,200	9,250
Prepaid expenses	16,500	19,334
Investments - unrestricted	6,489,943	6,330,257
Investments - temporarily restricted	243,675	453,022
Investments - permanently restricted	1,497,229	1,589,432
Property and equipment, net	<u>3,129,782</u>	<u>3,181,678</u>
<i>Total Assets</i>	<u>\$ 11,796,963</u>	<u>\$ 12,012,489</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 67,183	\$ 33,952
Accrued expenses	174,414	64,773
Deferred revenue	71,700	45,000
<i>Total liabilities</i>	<u>313,297</u>	<u>143,725</u>

Net Assets

Unrestricted net assets		
Unrestricted - cash	29,332	-
Unrestricted - property and equipment	3,129,782	3,181,678
Unrestricted - other	<u>6,194,346</u>	<u>6,106,632</u>
	9,353,460	9,288,310
Temporarily restricted	632,977	991,022
Permanently restricted	<u>1,497,229</u>	<u>1,589,432</u>
<i>Total net assets</i>	<u>11,483,666</u>	<u>11,868,764</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 11,796,963</u>	<u>\$ 12,012,489</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENT OF ACTIVITIES

**YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
Revenues					
Contributions	\$ 1,544,009	\$ 15,000	\$ -	\$ 1,559,009	\$ 1,606,532
Contributions-non-cash	236,516	-	-	236,516	342,864
Guest donations	69,694	-	-	69,694	80,720
Special events, net of direct costs of \$389,537	376,689	-	-	376,689	367,030
Investment income	342,834	-	-	342,834	283,224
Realized loss on investments	136,071	-	-	136,071	(8,884)
Unrealized (loss) gain on investments	(385,055)	(56,472)	(92,203)	(533,730)	554,505
Other revenue	19,743	-	-	19,743	33,429
Net assets released from restrictions	316,573	(316,573)	-	-	-
Total revenues	<u>2,657,074</u>	<u>(358,045)</u>	<u>(92,203)</u>	<u>2,206,826</u>	<u>3,259,420</u>
Expenses					
Program services	2,069,304	-	-	2,069,304	2,072,058
Management and general	160,742	-	-	160,742	160,069
Fundraising	260,734	-	-	260,734	205,680
Total expenses	<u>2,490,780</u>	<u>-</u>	<u>-</u>	<u>2,490,780</u>	<u>2,437,807</u>
Change in Net Assets Before Other Revenue (Expense)	166,294	(358,045)	(92,203)	(283,954)	821,613
Other Revenue (Expense)					
Unallocated payments to RMHC Global	(101,144)	-	-	(101,144)	(125,472)
Change in Net Assets	65,150	(358,045)	(92,203)	(385,098)	696,141
Net Assets at Beginning of Year	<u>9,288,310</u>	<u>991,022</u>	<u>1,589,432</u>	<u>11,868,764</u>	<u>11,172,623</u>
Net Assets at End of Year	<u>\$ 9,353,460</u>	<u>\$ 632,977</u>	<u>\$ 1,497,229</u>	<u>\$ 11,483,666</u>	<u>\$ 11,868,764</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 1,554,682	\$ 51,850	\$ -	\$ 1,606,532
Contributions-non-cash	342,864	-	-	342,864
Guest donations	80,720	-	-	80,720
Special events, net of direct costs of \$385,537	367,030	-	-	367,030
Investment income	283,224	-	-	283,224
Realized loss on investments	(8,884)	-	-	(8,884)
Unrealized gain on investments	422,593	38,896	93,016	554,505
Other revenue	33,429	-	-	33,429
Net assets released from restrictions	262,899	(262,899)	-	-
Total revenues	<u>3,338,557</u>	<u>(172,153)</u>	<u>93,016</u>	<u>3,259,420</u>
Expenses				
Program services	2,072,058	-	-	2,072,058
Management and general	160,069	-	-	160,069
Fundraising	205,680	-	-	205,680
Total expenses	<u>2,437,807</u>	<u>-</u>	<u>-</u>	<u>2,437,807</u>
Change in Net Assets Before Other Revenue (Expense)	900,750	(172,153)	93,016	821,613
Other Revenue (Expense)				
Unallocated payments to RMHC Global	<u>(125,472)</u>	<u>-</u>	<u>-</u>	<u>(125,472)</u>
Change in Net Assets	775,278	(172,153)	93,016	696,141
Net Assets at Beginning of Year	<u>8,513,032</u>	<u>1,163,175</u>	<u>1,496,416</u>	<u>11,172,623</u>
Net Assets at End of Year	<u>\$ 9,288,310</u>	<u>\$ 991,022</u>	<u>\$ 1,589,432</u>	<u>\$ 11,868,764</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)**

	<i>Program Services</i>					<i>Supporting Services</i>		<i>Total Expenses</i>		
	<i>Tampa House</i>	<i>St.Pete Houses</i>	<i>Central House</i>	<i>Care Mobile</i>	<i>Scholarships and Grants</i>	<i>Total Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>2011</i>	<i>2010</i>
Salaries	\$ 129,172	\$ 496,250	\$ 111,766	\$ 8,853	\$ 4,853	\$ 750,894	\$ 63,984	\$ 94,058	\$ 908,936	\$ 878,836
Payroll taxes	8,649	34,872	7,232	495	495	51,743	4,620	6,789	63,152	61,344
Health insurance	15,799	99,315	6,423	799	799	123,135	7,462	10,971	141,568	140,953
Retirement plan expense	2,556	13,800	2,289	162	162	18,969	1,771	2,993	23,733	27,227
Legal and professional fees	-	-	-	-	-	-	61,478	-	61,478	55,348
Food service and supplies	4,958	18,580	-	-	-	23,538	-	-	23,538	20,783
Rent	4,784	48,826	147,683	507	507	202,307	97	150	202,554	183,221
Utilities	42,790	87,146	30,757	179	179	161,051	2,165	3,331	166,547	138,820
Repairs and maintenance	64,345	102,608	1,578	193	193	168,917	-	-	168,917	214,691
Meetings and travel	-	-	-	-	-	-	6,101	-	6,101	8,212
Depreciation	89,657	93,658	39,534	184	184	223,217	2,278	2,278	227,773	209,445
Advertising	-	-	-	-	-	-	-	1,575	1,575	4,731
Cost of items sold	767	3,068	-	-	-	3,835	-	-	3,835	3,788
General fundraising expenses	-	-	-	-	-	-	-	121,693	121,693	56,325
House administration	11,179	27,705	4,027	1,802	1,802	46,515	4,044	6,986	57,545	72,267
Insurance	29,428	32,353	24,761	722	722	87,986	6,742	9,910	104,638	108,598
Miscellaneous	3,533	4,498	3,643	381	381	12,436	-	-	12,436	20,424
Taxes and licenses	638	2,066	284	54	54	3,096	-	-	3,096	3,920
Grants and pledges	-	-	-	-	191,665	191,665	-	-	191,665	228,874
	<u>\$ 408,255</u>	<u>\$ 1,064,745</u>	<u>\$ 379,977</u>	<u>\$ 14,331</u>	<u>\$ 201,996</u>	<u>\$ 2,069,304</u>	<u>\$ 160,742</u>	<u>\$ 260,734</u>	<u>\$ 2,490,780</u>	<u>\$ 2,437,807</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<i>Cash Flows from Operating Activities:</i>		
Change in net assets	\$ (385,098)	\$ 696,141
<i>Adjustments to reconcile change in net assets to cash provided by operating activities:</i>		
Depreciation	227,773	209,445
Realized (gain) loss on investments	(136,071)	8,884
Unrealized loss (gain) on investments	533,730	(554,505)
<i>Decrease (increase) in:</i>		
Certificates of deposit	116,573	(2,140)
Unconditional promises to give	24,173	31,473
Other receivables	8,050	(9,250)
Prepaid expenses	2,834	3,866
<i>Increase (decrease) in:</i>		
Accounts payable	33,232	(26,230)
Accrued expenses	109,641	12,376
Deferred revenue	26,700	16,250
	<u>561,537</u>	<u>386,310</u>
<i>Net cash provided by operating activities</i>		
<i>Cash Flows from Investing Activities</i>		
Proceeds from sale of investments	1,925,493	2,036,634
Purchases of investments	(2,181,289)	(2,417,719)
Purchases of property and equipment	(175,877)	(307,194)
	<u>(431,673)</u>	<u>(688,279)</u>
<i>Net cash used in investing activities</i>		
<i>Net Increase (Decrease) in Cash</i>	129,864	(301,969)
<i>Cash at Beginning of Year (all temporarily restricted)</i>	<u>262,161</u>	<u>564,130</u>
<i>Cash at End of Year (including restricted cash of \$362,693)</i>	<u>\$ 392,025</u>	<u>\$ 262,161</u>
<i>Supplemental Disclosure of Cash Flow Information:</i>		
<i>Noncash Investing and Financing Transactions:</i>		
Purchase of property and equipment	\$ 195,305	\$ 432,168
Donated property and equipment	(19,428)	(124,974)
	<u>\$ 175,877</u>	<u>\$ 307,194</u>
Cash paid for purchase of property and equipment	<u>\$ 175,877</u>	<u>\$ 307,194</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

Ronald McDonald House Charities of Tampa Bay, Inc. (the Organization) is a State of Florida chartered not-for-profit corporation. The mission of the Organization is to provide a “home-away-from-home” for families with children receiving medical care at Tampa Bay area hospitals. To achieve the mission, it operates four Ronald McDonald Houses; three in St. Petersburg and one in Tampa, offering a total of 80 bedrooms with private baths. The Organization’s newest House opened at All Children’s Hospital in St. Petersburg during 2010 known as the Central House at All Children’s Hospital. The Organization is supported by the local community and corporate sponsors. In addition, Ronald McDonald House Charities of Tampa Bay, Inc. operates the Ronald McDonald Care Mobile – in partnership with University of South Florida. This unit provides quality care to underserved children and youth in the Tampa Bay area through site visits to provide medical services. The Organization is also charged by its national organization and local McDonald’s restaurants to administer local grants to other not-for-profit organizations serving children in need. These grants are enhanced with National RMHC Organization funds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Financial statement presentation follows the recommendation of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all of part of the income earned on the assets.

2. Cash Accounts

The Organization classifies all short-term investments with a maturity of three months or less as cash. Certificates of deposit with longer maturities have been classified separately.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are reported at fair value at the date the promise is received to the extent estimated to be collected by the Organization. Other conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the fiscal year in which the contributions are recognized. All other 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.

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate based on the U.S. Treasury Securities yield with an added amount for economic uncertainty. The rates for promises range from 1.89% to 3.49%.

The Organization uses the allowance method to determine uncollectible unconditional promises. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2011 and 2010, all promises to give are expected to be collected.

4. Investments

Investments in debt and equity securities, mutual funds, and certificates of deposit are stated at fair market value in accordance with FASB ASC 820 in the statements of financial position. Investment income or loss (including gains or losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either when a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

5. Property and Equipment

Property and equipment expenditures in excess of \$1,000 are recorded at cost when purchased or, if donated, at estimated fair value. Improvements and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives which range from five to forty years.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Revenue Recognition

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

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

7. Donated Premises, Services, and Materials

Donated premises and materials are recorded as revenue in the accompanying statements of activities, at their estimated values at the date of receipt. Contributions of services are recorded as unrestricted support at their estimated fair value if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations that are not susceptible to objective measurement or valuation are not included in the financial statements.

During the years ended December 31, 2011 and 2010, donated premises were \$183,200 and \$183,200 respectively. Donated services and materials were approximately \$53,300 and \$159,600 for the years ended December 31, 2011 and 2010, respectively. Donated items for fundraising events are reflected as fundraising events income, net of direct costs and were approximately \$115,000 and \$139,000 for the years ended December 31, 2011 and 2010, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time in the Organization's program services and at its fundraising activities. The value of these contributed services is not reflected in the financial statements as the recognition criterion of FASB ASC 958 is not met.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Expense Allocation

The operating expenses of the Organization are allocated to three functional categories based on management's estimate of the time and expense spent for each of the functions. These functions are defined as follow:

Program services – the costs associated with the Organization's efforts to achieve the stated mission and goals.

Management and general – the costs of operating the Organization's offices, including gathering, processing, and maintaining financial information.

Fundraising – the costs associated with soliciting contributions or holding special events for the benefit of the Organization.

9. Advertising

Advertising costs are expensed as incurred and were approximately \$1,600 and \$4,700 for the years ended December 31, 2011 and 2010, respectively.

10. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization has elected to adopt the guidance for uncertainty in income taxes as defined in FASB ASC 740-10-65-1. The Organization records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. The Organization has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Organization to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in the statement of activities and changes in net assets as there are not unrecognized tax benefits.

As of December 31, 2011 and 2010, the Organization did not have any unrecognized tax benefits as defined in FASB ASC 740-10-65-1. The Organization does not believe that there will be any material changes in unrecognized tax positions over the next twelve months. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

12. Fair Value Measurement

The financial statements are prepared in accordance with FASB ASC 820 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements or on a recurring basis (at least annually). FASB ASC 820 defines fair value 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 a measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes three levels of inputs that may be used to measure fair value:

- Level 1: Quotes market prices 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 by market data.

13. Fair Value of Financial Instruments

The Organization's financial instruments include cash, other receivables, unconditional promises to give, and accounts payable. The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash – the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

Other receivables – the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

Unconditional promises to give – the fair value is determined as the present value of the amount pledged based on the interest rates applicable in the year the promises were received.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Fair Value of Financial Instruments - Continued

Accounts payable, accrued expenses, and deferred revenue – the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Land – St. Petersburg - East	\$ 515,000	\$ 515,000
St. Petersburg Houses and improvements	3,732,844	3,688,556
Central House and improvements	382,713	382,713
Tampa House and improvements	<u>2,422,100</u>	<u>2,290,511</u>
	7,052,657	6,876,780
Less accumulated depreciation	<u>(3,922,875)</u>	<u>(3,695,102)</u>
Property and equipment, net	<u>\$ 3,129,782</u>	<u>\$ 3,181,678</u>

Depreciation expense was \$227,773 and \$209,445 for years ended December 31, 2011 and 2010, respectively.

NOTE C – LEASES

The Organization leases land from the City of Tampa, Florida on which a building owned by the Organization was constructed. The total lease expense for the land for the years ended December 31, 2011 and 2010 was \$1 per year, but was forgiven for both years. The lease expires in 2022 with an option to renew for an additional twenty years. The Organization records an in-kind donation and rent on the land at its net realizable value estimated by management at \$40,500 for each of the years ended December 31, 2011 and 2010.

The Organization leases space from All Children’s Hospital in St. Petersburg, Florida for the Central House opened in 2010. This 7,319 square foot space is donated by All Children’s Hospital and recorded on the books at its net realizable value as an in-kind donation and rent expense of \$142,721 for each of the years ended December 31, 2011 and 2010.

The Organization also leases various office equipment. The total lease expense for these leased items was approximately \$19,300 and \$12,000 for years ended December 31, 2011 and 2010, respectively.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE C – LEASES - CONTINUED

Future minimum lease payments consist of the following for the following years ending December 31:

	<u>Future Minimum Lease Payments</u>
2012	\$ 17,365
2013	16,021
2014	6,664
2015	4,201
2016 and thereafter	<u>1,050</u>
	<u>\$ 45,301</u>

NOTE D – PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Gross unconditional promises to give	\$ 27,505	\$ 52,065
Less: Unamortized discount	<u>(896)</u>	<u>(1,283)</u>
Net unconditional promises to give	<u>\$ 26,609</u>	<u>\$ 50,782</u>
Amounts due in:		
One year and less	\$ 11,781	\$ 23,059
Two to five years	<u>15,724</u>	<u>29,006</u>
	<u>\$ 27,505</u>	<u>\$ 52,065</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE E – INVESTMENTS

Investments are carried at fair value and are as follows:

<i>At December 31, 2011:</i>	<i>Amortized Cost</i>	<i>Unrealized Gain (Loss)</i>	<i>Fair Value</i>
Unrestricted:			
Money market, CDs	\$ 100,874	\$ -	\$ 100,874
Equity securities	1,104,653	127,384	1,232,037
Preferred stock	490,445	47,790	538,235
Mutual funds	4,115,913	39,594	4,155,507
Debt securities	391,218	35,070	426,288
Cumulative earnings adjustment ⁽¹⁾	<u>37,002</u>	<u>-</u>	<u>37,002</u>
	6,240,105	249,838	6,489,943
Temporarily restricted:			
Money market	1,221	-	1,221
Mutual funds	<u>241,996</u>	<u>458</u>	<u>242,454</u>
	243,217	458	243,675
Permanently restricted:			
Money market	5,596	-	5,596
Mutual funds	1,419,367	(25,390)	1,393,977
Debt securities	126,859	7,799	134,658
Cumulative earnings adjustment ⁽¹⁾	<u>(37,002)</u>	<u>-</u>	<u>(37,002)</u>
	<u>1,514,820</u>	<u>(17,591)</u>	<u>1,497,229</u>
	<u>\$ 7,998,142</u>	<u>\$ 232,705</u>	<u>\$ 8,230,847</u>

⁽¹⁾ Cumulative earnings adjustment represents accumulated earnings retained in the restricted investment accounts but available for unrestricted use.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE E – INVESTMENTS - CONTINUED

Investments are carried at fair value and are as follows:

<i>At December 31, 2010:</i>	<i>Amortized Cost</i>	<i>Unrealized Gain (Loss)</i>	<i>Fair Value</i>
Unrestricted:			
Money market, CDs	\$ 190,079	\$ -	\$ 190,079
Equity securities	1,238,930	218,858	1,457,788
Mutual funds	3,651,807	381,692	4,033,499
Debt securities	612,178	10,590	622,768
Cumulative earnings adjustment ⁽¹⁾	<u>26,123</u>	<u>-</u>	<u>26,123</u>
	5,719,117	611,140	6,330,257
Temporarily restricted:			
Money market	12,588	-	12,588
Equity securities	145,002	44,010	189,012
Mutual funds	<u>238,503</u>	<u>12,919</u>	<u>251,422</u>
	396,093	56,929	453,022
Permanently restricted:			
Money market	15,593	-	15,593
Mutual funds	1,391,196	97,599	1,488,795
Debt securities	110,402	765	111,167
Cumulative earnings adjustment ⁽¹⁾	<u>(26,123)</u>	<u>-</u>	<u>(26,123)</u>
	<u>1,491,068</u>	<u>98,364</u>	<u>1,589,432</u>
	<u>\$ 7,606,278</u>	<u>\$ 766,433</u>	<u>\$ 8,372,711</u>

⁽¹⁾ Cumulative earnings adjustment represents accumulated earnings retained in the restricted investment accounts but available for unrestricted use.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE E – INVESTMENTS - CONTINUED

Investment return by investment accounts are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Year ended December 31, 2011:				
Interest income	\$ 25,041	\$ 14	\$ 1,967	\$ 27,022
Dividend income	213,518	4,905	56,666	275,089
Capital gain distribution income	28,329	104	12,290	40,723
Realized gains (losses)	69,607	43,859	22,605	136,071
Unrealized gains (losses)	<u>(385,055)</u>	<u>(56,472)</u>	<u>(92,203)</u>	<u>(533,730)</u>
	<u>\$ (48,560)</u>	<u>\$ (7,590)</u>	<u>\$ 1,325</u>	<u>\$ (54,825)</u>
Year ended December 31, 2010:				
Interest income	\$ 28,510	\$ 1,561	\$ 3,761	\$ 33,832
Dividend income	161,419	7,343	48,015	216,777
Capital gain distribution income	21,327	2,263	9,025	32,615
Realized gains (losses)	(28,263)	1,052	18,327	(8,884)
Unrealized gains (losses)	<u>422,593</u>	<u>38,896</u>	<u>93,016</u>	<u>554,505</u>
	<u>\$ 605,586</u>	<u>\$ 51,115</u>	<u>\$ 172,144</u>	<u>\$ 828,845</u>

Expenses related to investment revenue, including custodial fees and investment advisory fees, amounted to approximately \$11,000 and \$16,000 for the years ending December 31, 2011 and 2010, respectively, and have been netted against investment revenues in the accompanying statements of activities.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE F – FAIR VALUE MEASUREMENT

The Organization’s assets and liabilities are reported at fair value in the accompanying statements of financial position. At December 31, 2011 and 2010, fair value by asset category is as follows:

Fair Value Measurements at Reporting Date Using

	<u>Fair</u>	<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>
	<u>Value</u>	<u>In Active</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Identical</u>	<u>Inputs</u>	<u>Level 3</u>
		<u>Assets</u>	<u>Level 2</u>	
		<u>Level 1</u>		
<u>December 31, 2011</u>				
Cash	\$ 107,691	\$ 107,691	\$ -	\$ -
Equity securities	1,232,037	1,232,037	-	-
Preferred stocks	538,235	-	538,235	-
Mutual funds	5,791,938	-	5,791,938	-
Debt securities	<u>560,946</u>	<u>-</u>	<u>560,946</u>	<u>-</u>
Total	<u>\$ 8,230,847</u>	<u>\$ 1,339,728</u>	<u>\$6,891,119</u>	<u>\$ -</u>

Fair Value Measurements at Reporting Date Using

	<u>Fair</u>	<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>
	<u>Value</u>	<u>In Active</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Identical</u>	<u>Inputs</u>	<u>Level 3</u>
		<u>Assets</u>	<u>Level 2</u>	
		<u>Level 1</u>		
<u>December 31, 2010</u>				
Cash	\$ 218,260	\$ 218,260	\$ -	\$ -
Equity securities	1,185,358	1,185,358	-	-
Preferred stocks	461,442	-	461,442	-
Mutual funds	5,773,716	-	5,773,716	-
Debt securities	<u>733,935</u>	<u>-</u>	<u>733,935</u>	<u>-</u>
Total	<u>\$ 8,372,711</u>	<u>\$ 1,403,618</u>	<u>\$6,969,093</u>	<u>\$ -</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE G – ENDOWMENT FUND

The Organization's endowment consists of individual funds established for a variety of purposes. Its endowment is comprised of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In July 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The Organization has interpreted the FUPMIFA 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, the Organization 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 FUPMIFA.

In accordance with the FUPMIFA, 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

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE G – ENDOWMENT FUND - CONTINUED

For the years ended December 31, 2011 and 2010, the Organization has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of Endowment Assets:

Endowment assets as of December 31 are invested as follows:

	<u>2011</u>	<u>2010</u>
Investments	\$ 1,497,229	\$ 1,589,432

Summary of Endowment Assets December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ -	\$ 1,497,229	\$1,497,229

Summary of Endowment Assets December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ -	\$ 1,589,432	\$1,589,432

Changes in endowment net assets as of December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ -	\$ -	\$ 1,589,432	\$1,589,432
Interest and dividends	-	-	70,923	70,932
Net investment depreciation	-	-	(69,598)	(69,598)
Released from restriction	-	-	(93,528)	(93,528)
Endowment net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,497,229</u>	<u>\$1,497,229</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE G – ENDOWMENT FUND - CONTINUED

Changes in endowment net assets as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ -	\$ -	\$ 1,496,416	\$1,496,416
Interest and dividends	-	-	60,801	60,801
Net investment appreciation	-	-	111,343	111,343
Released from restriction	-	-	(79,128)	(79,128)
Endowment net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,589,432</u>	<u>\$1,589,432</u>

Return Objectives, Risk Parameters, and Strategies

The Organization has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). The terms of the operating policies of the endowment fund (the Fund) requires that the Fund will be managed by the Investment Committee and approved by the Board of Directors. The Investment Committee is responsible to oversee the portfolio's investments and monitor the investments on an ongoing basis to ensure that long-term objectives are being met. The Investment Committee has agreed to a target asset allocation for the portfolio's assets and seeks advice from professional investment managers which hold the assets. The Fund is to invest funds in accordance with the standards set forth in the Organization's investment policy.

Spending Policy

The Organization is operating under an approved endowment policy that seeks to preserve the purchasing power of the Fund while providing income at the highest attainable level. The Fund can distribute annually, interest, dividends, and other earnings (realized gains) and the portion of the unrealized gains for the preceding year that exceeds the rate of inflation. In the event the earnings are not distributed in any given year, an amount equal to the earnings for that year may be distributed in a subsequent year. Distributions are considered as a release from restriction from the permanently restricted net assets. There is to be no invasion of the original principal of the gift given to the Organization unless the donor instructs otherwise.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE H – CONCENTRATIONS OF CREDIT RISK

The majority of the Organization's revenue, both from contributions and from fundraising events, is from businesses and individuals in the Tampa Bay area.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the year, the Organization's cash balance may have exceeded the federally insured limits. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

Money market and mutual funds are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a difference between their estimated value as reported in the accompanying financial statements and their net realizable value that could ultimately result in a loss to the Organization. Management has determined that the likelihood of sustaining losses from the investments in money market and mutual funds to be remote based on the marketability of the underlying investments of the funds.

NOTE I – COMMITMENT

As part of a national affiliation agreement, the Organization is obligated to donate to the National Ronald McDonald House Charities Organization (RMHC Global) 25% of canister donations which are collected in the local McDonald's restaurants and is reflected in the statements of activities as unallocated payments to RMHC Global. Additionally, contributions received and solicited in conjunction with the national organization have 25% of the contribution retained at the national level prior to receipt by the Organization. At December 31, 2011 and 2010, the Organization had approximately \$25,300 and \$31,400 payable to RMHC Global, respectively.

NOTE J – RETIREMENT PLAN

The Organization has a 403(b) deferred compensation plan which covers substantially all employees. Contributions to the plan are at the discretion of the Board of Trustees. Total contributions amounted to approximately \$23,700 and \$27,200 in 2011 and 2010, respectively.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE K – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows:	<u>2011</u>
Operating expenses of three houses	\$ 117,055
Capital Campaign – Central House at All Children’s Hospital	515,464
Unrealized gain on investments	<u>458</u>
	<u>\$ 632,977</u>
	<u>2010</u>
Operating expenses of three houses	\$ 317,055
Capital Campaign – Central House at All Children’s Hospital	617,037
Unrealized gain on investments	<u>56,930</u>
	<u>\$ 991,022</u>

NOTE L – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a gift of McDonald’s Corporation stock received during 1993. The terms of the gift created an endowment fund which requires the principal to be held in perpetuity for the benefit of the Ronald McDonald Houses in St. Petersburg and Tampa. Only income from the endowment fund may be used for operating expenses of the Houses. Unrealized and realized gains are retained as permanently restricted net assets in accordance with the terms of the endowment. The Organization has now sold 100% of the McDonald’s stock and has reinvested the proceeds in other income producing investments as allowed by the terms of the gift.

NOTE M – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were comprised of the following:	<u>2011</u>
St. Petersburg operating expenses	\$ 266,573
Tampa House operating expenses	50,000
Conditional restriction expired on pledges	<u>-</u>
	<u>\$ 316,573</u>
	<u>2010</u>
St. Petersburg operating expenses	\$ 50,000
Tampa House operating expenses	50,000
Conditional restriction expired on pledges	<u>162,899</u>
	<u>\$ 262,899</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE N – SUBSEQUENT EVENTS

The Organization follows FASB ASC 855-10 to incorporate the accounting disclosure requirement for subsequent events into US GAAP. The Organization evaluated its December 31, 2011 financial statements through May 11, 2012, the date the financial statements were available to be issued.