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

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011



CLEARWATER, FLORIDA

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Clearwater, FL 33761

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Ronald McDonald House Charities of Tampa Bay, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2012, and the related notes to the financial statements. The prior year summarized comparative information included in the statement of functional expenses has been derived from the 2011 financial statements and, in our report dated May 11, 2012, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012 and 2011, 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, 2012 in conformity with accounting principles generally accepted in the United States of America.

Clearwater, Florida
May 2, 2013

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 171,931	\$ 29,332
Cash - temporarily restricted	-	362,693
Unconditional promises to give, net - temporarily restricted	14,897	26,609
Other receivables	-	1,200
Prepaid expenses	19,000	16,500
Investments - unrestricted	7,445,296	6,489,943
Investments - temporarily restricted	270,972	243,675
Investments - permanently restricted	1,609,315	1,497,229
Property and equipment, net	<u>2,925,974</u>	<u>3,129,782</u>
<i>Total Assets</i>	<u><u>\$ 12,457,385</u></u>	<u><u>\$ 11,796,963</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 64,934	\$ 67,183
Accrued expenses	156,425	174,414
Deferred revenue	<u>49,965</u>	<u>71,700</u>
<i>Total liabilities</i>	271,324	313,297

Net Assets

Unrestricted net assets		
Unrestricted - cash	171,931	29,332
Unrestricted - property and equipment	2,925,974	3,129,782
Unrestricted - other	<u>7,192,972</u>	<u>6,194,346</u>
	10,290,877	9,353,460
Temporarily restricted	285,869	632,977
Permanently restricted	<u>1,609,315</u>	<u>1,497,229</u>
<i>Total net assets</i>	<u><u>12,186,061</u></u>	<u><u>11,483,666</u></u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$ 12,457,385</u></u>	<u><u>\$ 11,796,963</u></u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENT OF ACTIVITIES

**YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
Revenues					
Contributions	\$ 1,591,703	\$ -	\$ -	\$ 1,591,703	\$ 1,559,009
Contributions-non-cash	466,679	-	-	466,679	236,516
Guest donations	77,292	-	-	77,292	69,694
Special events, net of direct costs of \$377,681	425,493	-	-	425,493	376,689
Investment income	392,639	-	-	392,639	342,834
Realized gain on investments	157,225	-	-	157,225	136,071
Unrealized gain (loss) on investments	414,974	19,152	112,086	546,212	(533,730)
Other revenue	18,964	-	-	18,964	19,743
Net assets released from restrictions	366,260	(366,260)	-	-	-
Total revenues	<u>3,911,229</u>	<u>(347,108)</u>	<u>112,086</u>	<u>3,676,207</u>	<u>2,206,826</u>
Expenses					
Program services	2,371,491	-	-	2,371,491	2,069,304
Management and general	182,300	-	-	182,300	160,742
Fundraising	314,436	-	-	314,436	260,734
Total expenses	<u>2,868,227</u>	<u>-</u>	<u>-</u>	<u>2,868,227</u>	<u>2,490,780</u>
Change in Net Assets Before Other Revenue (Expense)	1,043,002	(347,108)	112,086	807,980	(283,954)
Other Revenue (Expense)					
Unallocated payments to Ronald McDonald House Charities (RMHC) Global	<u>(105,585)</u>	<u>-</u>	<u>-</u>	<u>(105,585)</u>	<u>(101,144)</u>
Change in Net Assets	937,417	(347,108)	112,086	702,395	(385,098)
Net Assets at Beginning 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>
Net Assets at End of Year	<u>\$ 10,290,877</u>	<u>\$ 285,869</u>	<u>\$ 1,609,315</u>	<u>\$ 12,186,061</u>	<u>\$ 11,483,666</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 1,544,009	\$ 15,000	\$ -	\$ 1,559,009
Contributions-non-cash	236,516	-	-	236,516
Guest donations	69,694	-	-	69,694
Special events, net of direct costs of \$389,537	376,689	-	-	376,689
Investment income	342,834	-	-	342,834
Realized gain on investments	136,071	-	-	136,071
Unrealized loss on investments	(385,055)	(56,472)	(92,203)	(533,730)
Other revenue	19,743	-	-	19,743
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>
Expenses				
Program services	2,069,304	-	-	2,069,304
Management and general	160,742	-	-	160,742
Fundraising	260,734	-	-	260,734
Total expenses	<u>2,490,780</u>	<u>-</u>	<u>-</u>	<u>2,490,780</u>
Change in Net Assets Before Other Revenue (Expense)	166,294	(358,045)	(92,203)	(283,954)
Other Revenue (Expense)				
Unallocated payments to RMHC Global	<u>(101,144)</u>	<u>-</u>	<u>-</u>	<u>(101,144)</u>
Change in Net Assets	65,150	(358,045)	(92,203)	(385,098)
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>
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>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)**

	<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>2012</i>	<i>2011</i>
Salaries	\$ 135,010	\$ 521,111	\$ 115,633	\$ 9,435	\$ 5,435	\$ 786,624	\$ 69,145	\$ 101,224	\$ 956,993	\$ 908,936
Payroll taxes	8,797	36,526	7,597	537	537	53,994	4,996	7,312	66,302	63,152
Health insurance	17,853	80,609	6,611	809	809	106,691	7,520	11,011	125,222	141,568
Retirement plan expense	3,045	15,657	3,329	182	182	22,395	1,984	3,352	27,731	23,733
Legal and professional fees	-	-	-	-	-	-	74,565	-	74,565	61,478
Food service and supplies	4,083	27,059	8,527	-	-	39,669	-	-	39,669	23,538
Rent	4,602	50,189	145,978	574	574	201,917	110	169	202,196	202,554
Utilities	45,430	90,075	13,043	231	231	149,010	2,003	3,082	154,095	166,547
Repairs and maintenance	80,481	287,392	1,370	120	120	369,483	-	-	369,483	168,917
Meetings and travel	-	-	-	-	-	-	5,114	-	5,114	6,101
Depreciation	98,707	91,703	39,549	192	192	230,343	2,350	2,350	235,043	227,773
Advertising	-	-	-	-	-	-	-	1,769	1,769	1,575
Cost of items sold	323	1,291	-	-	-	1,614	-	-	1,614	3,835
General fundraising expenses	-	-	-	-	-	-	-	167,247	167,247	121,693
House administration	8,171	26,177	3,640	1,597	1,597	41,182	3,585	6,192	50,959	57,545
Insurance	31,330	30,988	26,390	788	788	90,284	7,328	10,728	108,340	104,638
Outside services	13,655	11,731	4,857	76	76	30,395	-	-	30,395	-
Office expense	3,338	8,639	2,138	837	837	15,789	-	-	15,789	12,436
Taxes and licenses	504	1,561	176	41	41	2,323	-	-	2,323	3,096
Bad debt expense	-	-	-	-	-	-	3,600	-	3,600	-
Grants and pledges	-	-	-	-	229,778	229,778	-	-	229,778	191,665
	<u>\$ 455,329</u>	<u>\$ 1,280,708</u>	<u>\$ 378,838</u>	<u>\$ 15,419</u>	<u>\$ 241,197</u>	<u>\$ 2,371,491</u>	<u>\$ 182,300</u>	<u>\$ 314,436</u>	<u>\$ 2,868,227</u>	<u>\$ 2,490,780</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<i>Cash Flows from Operating Activities:</i>		
Change in net assets	\$ 702,395	\$ (385,098)
<i>Adjustments to reconcile change in net assets to cash provided by operating activities:</i>		
Depreciation	235,043	227,773
Realized gain on investments	(157,225)	(136,071)
Unrealized (gain) loss on investments	(546,212)	533,730
<i>Decrease (increase) in:</i>		
Certificates of deposit	-	116,573
Unconditional promises to give	11,712	24,173
Other receivables	1,200	8,050
Prepaid expenses	(2,500)	2,834
<i>Increase (decrease) in:</i>		
Accounts payable	(2,248)	33,232
Accrued expenses	(17,989)	109,641
Deferred revenue	(21,735)	26,700
<i>Net cash provided by operating activities</i>	<u>202,441</u>	<u>561,537</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from sale of investments	1,839,087	1,925,493
Purchases of investments	(2,230,387)	(2,181,289)
Purchases of property and equipment	(31,235)	(175,877)
<i>Net cash used in investing activities</i>	<u>(422,535)</u>	<u>(431,673)</u>
<i>Net (Decrease) Increase in Cash</i>	(220,094)	129,864
<i>Cash at Beginning of Year</i> (including restricted cash of \$362,693 at January 1, 2012 and \$262,161 at January 1, 2011)	<u>392,025</u>	<u>262,161</u>
<i>Cash at End of Year</i> (including restricted cash of \$-0- at December 31, 2012 and \$362,693 at December 31, 2011)	<u>\$ 171,931</u>	<u>\$ 392,025</u>
<i>Supplemental Disclosure of Cash Flow Information:</i>		
<i>Noncash Investing and Financing Transactions:</i>		
Purchase of property and equipment	\$ 31,235	\$ 195,305
Donated property and equipment	-	(19,428)
Cash paid for purchase of property and equipment	<u>\$ 31,235</u>	<u>\$ 175,877</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE A – NATURE OF ORGANIZATION

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 B - 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).

The Organization presents information regarding its financial position and activities according to three classes of net assets described as follows:

- Unrestricted Net Assets - All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the Board’s discretion.
- Temporarily Restricted Net Assets - Resources accumulated through donations or grants for specific operating or capital purpose. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.
- Permanently Restricted Net Assets - Resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. These net assets include the original value of the gift, plus any subsequent additions.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. 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. Significant estimates include useful lives on related assets, expenses by function, the discount rate for the present value of the unconditional promises to give, and fair value measurement of investments.

3. Fair Value Measurement

The financial statements are prepared in accordance with an accounting standard, 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). 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 a measurement date. The standard 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. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted 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.

4. Fair Value of Financial Instruments

The Organization's financial instruments include cash, other receivables, unconditional promises to give, accounts payable, accrued expenses, and deferred revenue. 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.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Fair Value of Financial Instruments - Continued

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.

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.

5. Cash Accounts

The Organization classifies all short-term investments with an original maturity of three months or less as cash.

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 years ending December 31, 2012 and 2011, the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

6. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

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.

7. Investments

Investments in debt and equity securities and mutual funds are stated at fair market value in accordance with the standards 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.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Investments - Continued

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.

8. Property and Equipment

Property and equipment expenditures in excess of \$1,000 are capitalized 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.

9. 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.

10. Donated Premises, Services, and Materials

Donated materials are recorded as support at their fair value at the date of donation. Contributions of services are recorded as 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.

For the years ended December 31, 2012 and 2011, the value of contributed services meeting the requirements for recognition in the financial statements has been recorded as unrestricted support. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services under the financial accounting standards.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. 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 follows:

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.

12. Advertising

Advertising costs are expensed as incurred and were approximately \$1,800 and \$1,600 for the years ended December 31, 2012 and 2011, respectively.

13. Income Tax Status

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

14. Uncertain Tax Positions

The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's federal returns are generally open for examination for three years following the date filed.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative total amounts. Such information does not included sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived

NOTE C - PROMISES TO GIVE

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

	<u>2012</u>	<u>2011</u>
Gross unconditional promises to give	\$ 15,375	\$ 27,505
Less: Unamortized discount	<u>(478)</u>	<u>(896)</u>
Net unconditional promises to give	<u>\$ 14,897</u>	<u>\$ 26,609</u>
Amounts due in:		
One year and less	\$ 5,594	\$ 11,781
Two to five years	<u>9,781</u>	<u>15,724</u>
	<u>\$ 15,375</u>	<u>\$ 27,505</u>

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%. At December 31, 2012 and 2011, no allowance was recorded.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Land – St. Petersburg - East	\$ 515,000	\$ 515,000
St. Petersburg Houses and improvements	3,736,909	3,732,844
Central House and improvements	382,713	382,713
Tampa House and improvements	<u>2,449,270</u>	<u>2,422,100</u>
	7,083,892	7,052,657
Less accumulated depreciation	<u>(4,157,918)</u>	<u>(3,922,875)</u>
	<u>\$ 2,925,974</u>	<u>\$ 3,129,782</u>

NOTE E - 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, 2012 and 2011 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, 2012 and 2011.

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, 2012 and 2011. The Organization also leases various office equipment. The total lease expense for these leased items was approximately \$19,000 and \$12,000 for years ended December 31, 2012 and 2011, respectively.

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

	<u><i>Future Minimum Lease Payments</i></u>
2013	\$ 15,442
2014	5,233
2015	695
2016 and thereafter	<u>6</u>
	<u>\$ 21,376</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE F - INVESTMENTS

Investments are carried at fair value and are as follows:

<i>At December 31, 2012:</i>	<i>Amortized Cost</i>	<i>Unrealized Gain</i>	<i>Fair Value</i>
Unrestricted:			
Money market	\$ 208,942	\$ -	\$ 208,942
Equity securities	1,068,951	237,929	1,306,880
Preferred stock	317,972	45,898	363,870
Mutual funds	4,632,682	410,242	5,042,924
Debt securities	178,110	7,363	185,473
Corporate fixed income	225,817	16,943	242,760
Cumulative earnings adjustment ⁽¹⁾	<u>94,447</u>	<u>-</u>	<u>94,447</u>
	6,726,921	718,375	7,445,296
Temporarily restricted:			
Money market	786	-	786
Mutual funds	<u>250,576</u>	<u>19,610</u>	<u>270,186</u>
	251,362	19,610	270,972
Permanently restricted:			
Money market	45,570	-	45,570
Mutual funds	1,617,262	40,930	1,658,192
Cumulative earnings adjustment ⁽¹⁾	<u>(94,447)</u>	<u>-</u>	<u>(94,447)</u>
	<u>1,568,385</u>	<u>40,930</u>	<u>1,609,315</u>
	<u>\$ 8,546,668</u>	<u>\$ 778,915</u>	<u>\$ 9,325,583</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, 2012 AND 2011

NOTE F - INVESTMENTS - CONTINUED

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, 2012 AND 2011

NOTE F - 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, 2012:				
Interest income	\$ 16,316	\$ -	\$ 1,570	\$ 17,886
Dividend income	244,920	5,751	67,958	318,629
Capital gain distribution income	35,219	483	20,422	56,124
Realized gains	116,846	-	40,379	157,225
Unrealized gains	<u>414,974</u>	<u>19,152</u>	<u>112,086</u>	<u>546,212</u>
	<u>\$ 828,275</u>	<u>\$ 25,386</u>	<u>\$ 242,415</u>	<u>\$ 1,096,076</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	69,607	43,859	22,605	136,071
Unrealized 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>

Expenses related to investment revenue, including custodial fees and investment advisory fees, amounted to approximately \$22,000 and \$11,000 for the years ending December 31, 2012 and 2011, 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, 2012 AND 2011

NOTE G - FAIR VALUE MEASUREMENT

The Organization's investments are reported at fair value in the accompanying statements of financial position.

Following is a description of valuation methodologies used for investments measured at fair value. There have been no changes in the methodology used at December 31, 2012.

Money markets: Valued at the net asset value (NAV) of shares held by the Organization at year-end.

Equity securities: Comprised of common stock valued at the closing price reported in the active market in which the individual securities are traded.

Preferred stock: Comprised of preferred stock valued based on pricing models that use inputs such as recent transactions for identical securities and quoted prices of similar securities that are traded in the active market.

Corporate fixed income and debt securities: Valued at the net asset value (NAV) of shares held by the Organization at year-end. There are no unfunded commitments within the fixed income funds and in addition there are no significant restrictions on the Organizations ability to sell investments.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year-end. The mutual funds are invested in individual equities in industries noted above. There are no unfunded commitments within the mutual funds and in addition there are no significant restrictions on the organizations ability to sell investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE G - FAIR VALUE MEASUREMENT - CONTINUED

At December 31, 2012 and 2011, 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>Inputs</u>
		<u>Assets</u>	<u>Level 2</u>	<u>Level 3</u>
		<u>Level 1</u>		
<u>December 31, 2012</u>				
Cash/money markets	\$ 255,298	\$ 255,298	\$ -	\$ -
Equity securities	1,306,880	1,306,880	-	-
Preferred stocks	363,870	-	363,870	-
Mutual funds	6,971,302	6,971,302	-	-
Corporate fixed income	242,760	-	242,760	-
Debt securities	<u>185,473</u>	<u>-</u>	<u>185,473</u>	<u>-</u>
Total	<u>\$ 9,325,583</u>	<u>\$ 8,533,480</u>	<u>\$ 792,103</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>Inputs</u>
		<u>Assets</u>	<u>Level 2</u>	<u>Level 3</u>
		<u>Level 1</u>		
<u>December 31, 2011</u>				
Cash/money markets	\$ 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>

During the year ended December 31, 2012, the Organization transferred mutual fund assets to Level 1 based on additional analysis performed by management and the investment committee. The analysis determined that these items should be reported at Level 1 because the fair values for these assets are observable in the active market.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE H - 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

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (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 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, 2012 AND 2011

NOTE H - ENDOWMENT FUND - CONTINUED

For the years ended December 31, 2012 and 2011, 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>2012</u>	<u>2011</u>
Investments	\$ 1,609,315	\$ 1,497,229

Summary of Endowment Assets December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ -	\$ 1,609,315	\$1,609,315

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

Changes in endowment net assets as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ -	\$ -	\$ 1,497,229	\$1,497,229
Interest and dividends	-	-	89,950	89,950
Net investment appreciation	-	-	98,801	98,801
Released from restriction	-	-	(76,665)	(76,665)
Endowment net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,609,315</u>	<u>\$1,609,315</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE H - ENDOWMENT FUND - CONTINUED

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>

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, 2012 AND 2011

NOTE I - 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.

NOTE J - 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, 2012 and 2011, the Organization had approximately \$26,400 and \$25,300 payable to RMHC Global, respectively.

NOTE K - 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 \$27,700 and \$23,700 in 2012 and 2011, respectively.

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows:

	<u>2012</u>
Operating expenses of three houses	\$ 251,362
Capital Campaign – Central House at All Children's Hospital	14,897
Unrealized gain on investments	<u>19,610</u>
	<u>\$ 285,869</u>
	 <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>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE M - 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. 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 N - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were comprised of the following:

	<u>2012</u>
Conditional restrictions expired on pledges	\$ 11,712
Conditional restrictions expired on Capital Campaign funds	<u>354,548</u>
	<u>\$ 366,260</u>
	<u>2011</u>
St. Petersburg operating expenses	\$ 266,573
Tampa House operating expenses	<u>50,000</u>
	<u>\$ 316,573</u>

NOTE O - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through May 2, 2013, the date the financial statements were available and issued. The Organization is not aware of any subsequent events which would require recognition or disclosures in the financial statements, except as disclosed below.

On February 11, 2013, the Organization received approximately \$28,000 of settlement money relating to a purchase of furniture to furnish the All Children's (ACH) House. The proceeds will be used to purchase replacement furniture for the ACH house in 2013.