



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

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



CLEARWATER, FLORIDA

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INDEPENDENT AUDITOR'S 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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows, for the years then ended, and the related notes to the 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.

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

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

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As part of our audit of the 2015 financial statements, net assets have been adjusted as of December 31, 2013 (see ***NOTE O***). This adjustment also resulted in a reclassification and restatement of net assets in 2014 (see ***NOTE O***). This adjustment is a reclassification of net assets to better reflect implementation of the Florida Uniform Prudent Management of Institutional Funds Act (Florida UPMIFA) and its impact on the permanently restricted net assets of the Organization. This adjustment between net asset classifications had no impact on total net assets, total revenues, and total change in net assets for the years ended December 31, 2014 and 2013.

Clearwater, Florida
April 21, 2016

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash	\$ 98,259	\$ 388,935
Unconditional promises to give, net - temporarily restricted	198,817	136,314
Other receivables	27,785	-
Prepaid expenses	15,212	50,954
Investments	9,628,366	10,443,971
Property and equipment, net	<u>3,482,801</u>	<u>2,908,537</u>
<i>Total Assets</i>	<u><u>\$ 13,451,240</u></u>	<u><u>\$ 13,928,711</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 37,098	\$ 52,728
Accrued expenses	153,833	100,411
Deferred revenue	<u>33,000</u>	<u>101,250</u>
<i>Total liabilities</i>	223,931	254,389

Net Assets

Unrestricted net assets		
Unrestricted - cash	98,259	388,935
Unrestricted - property and equipment	3,482,801	2,908,537
Unrestricted - other	<u>8,124,857</u>	<u>8,489,214</u>
	11,705,917	11,786,686
Temporarily restricted	521,392	887,636
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
<i>Total net assets</i>	<u><u>13,227,309</u></u>	<u><u>13,674,322</u></u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$ 13,451,240</u></u>	<u><u>\$ 13,928,711</u></u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>Total 2014</u>
Revenues					
Contributions	\$ 2,007,231	\$ 217,100	\$ -	\$ 2,224,331	\$ 2,531,964
Contributions-non-cash	533,450	-	-	533,450	256,489
Guest donations	80,484	-	-	80,484	65,537
Special events, net of direct costs of \$481,587	468,110	-	-	468,110	472,094
Investment income	310,016	66,026	-	376,042	448,287
Realized gain (loss) on investments	207,625	(14,730)	-	192,895	125,046
Unrealized loss on investments	(734,704)	(123,156)	-	(857,860)	(163,999)
Other revenue	19,817	-	-	19,817	31,668
Net assets released from restrictions	511,484	(511,484)	-	-	-
Total revenues	<u>3,403,513</u>	<u>(366,244)</u>	<u>-</u>	<u>3,037,269</u>	<u>3,767,086</u>
Expenses					
Program services	2,759,894	-	-	2,759,894	2,352,490
Management and general	257,284	-	-	257,284	216,827
Fundraising	338,977	-	-	338,977	395,179
Unallocated payments to RMHC Global	128,127	-	-	128,127	120,577
Total expenses	<u>3,484,282</u>	<u>-</u>	<u>-</u>	<u>3,484,282</u>	<u>3,085,073</u>
Change in Net Assets	(80,769)	(366,244)	-	(447,013)	682,013
Net Assets at Beginning of Year	<u>11,786,686</u>	<u>887,636</u>	<u>1,000,000</u>	<u>13,674,322</u>	<u>12,992,309</u>
Net Assets at End of Year	<u>\$ 11,705,917</u>	<u>\$ 521,392</u>	<u>\$ 1,000,000</u>	<u>\$ 13,227,309</u>	<u>\$ 13,674,322</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 2,346,964	\$ 185,000	\$ -	\$ 2,531,964
Contributions-non-cash	256,489	-	-	256,489
Guest donations	65,537	-	-	65,537
Special events, net of direct costs of \$605,216	472,094	-	-	472,094
Investment income	340,246	108,041	-	448,287
Realized gain on investments	125,046	-	-	125,046
Unrealized loss on investments	(94,293)	(69,706)	-	(163,999)
Other revenue	31,668	-	-	31,668
Net assets released from restrictions	222,777	(222,777)	-	-
Total revenues	<u>3,766,528</u>	<u>558</u>	<u>-</u>	<u>3,767,086</u>
Expenses				
Program services	2,352,490	-	-	2,352,490
Management and general	216,827	-	-	216,827
Fundraising	395,179	-	-	395,179
Unallocated payments to RMHC Global	120,577	-	-	120,577
Total expenses	<u>3,085,073</u>	<u>-</u>	<u>-</u>	<u>3,085,073</u>
Change in Net Assets	681,455	558	-	682,013
Net Assets at Beginning of Year:				
As previously stated	11,286,321	6,575	1,699,413	12,992,309
Prior period adjustment (NOTE O)	(181,090)	880,503	(699,413)	-
As restated	<u>11,105,231</u>	<u>887,078</u>	<u>1,000,000</u>	<u>12,992,309</u>
Net Assets at End of Year (NOTE O)	<u>\$ 11,786,686</u>	<u>\$ 887,636</u>	<u>\$ 1,000,000</u>	<u>\$ 13,674,322</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total Expenses</u>		
	<u>Tampa House</u>	<u>St.Pete Houses</u>	<u>Central House</u>	<u>Care Mobile</u>	<u>Scholarships and Grants</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2015</u>	<u>2014</u>
Salaries	\$ 180,688	\$ 778,621	\$ 180,986	\$ 13,651	\$ 9,651	\$ 1,163,597	\$ 111,345	\$ 92,594	\$ 1,367,536	\$ 1,216,265
Payroll taxes	13,656	59,107	13,739	820	820	88,142	7,837	6,517	102,496	91,270
Health insurance	30,472	121,304	20,548	1,573	1,573	175,470	15,037	12,506	203,013	180,124
Retirement plan expense	-	-	-	-	-	-	-	-	-	36,317
Total Salaries and Benefits	224,816	959,032	215,273	16,044	12,044	1,427,209	134,219	111,617	1,673,045	1,523,976
Depreciation	103,740	135,193	43,125	1,903	1,903	285,864	2,917	2,917	291,698	265,536
General fundraising expenses	-	-	-	-	-	-	-	204,693	204,693	216,457
Grants and pledges	-	-	-	-	174,750	174,750	-	-	174,750	202,990
Rent	43,088	8,458	187,528	288	288	239,650	55	85	239,790	199,272
Donated linens and supplies	21,267	155,730	17,162	-	-	194,159	-	-	194,159	-
Utilities	41,369	86,787	14,908	497	497	144,058	1,937	2,979	148,974	150,077
Insurance	32,747	34,097	28,604	941	941	97,330	8,995	7,481	113,806	115,095
Legal and professional fees	-	-	-	-	-	-	89,490	-	89,490	83,654
Repairs and maintenance	19,173	51,497	2,607	355	355	73,987	-	-	73,987	72,442
House administration	7,149	31,947	2,394	2,191	2,191	45,872	4,921	8,496	59,289	54,224
Outside services	11,976	21,556	1,182	285	285	35,284	-	-	35,284	31,350
Food service and supplies	2,482	13,920	1,277	-	-	17,679	-	-	17,679	22,290
Office expense	2,835	8,304	3,387	951	951	16,428	-	-	16,428	12,396
Meetings and travel	-	-	-	-	-	-	14,750	-	14,750	6,249
Taxes and licenses	765	3,530	693	286	286	5,560	-	-	5,560	1,639
Cost of items sold	413	1,651	-	-	-	2,064	-	-	2,064	5,285
Advertising	-	-	-	-	-	-	-	709	709	1,564
	\$ 511,820	\$ 1,511,702	\$ 518,140	\$ 23,741	\$ 194,491	\$ 2,759,894	\$ 257,284	\$ 338,977	3,356,155	2,964,496
Unallocated payments to RMHC Global									128,127	120,577
Total Expenses									\$ 3,484,282	\$ 3,085,073

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	<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>	
Salaries	\$ 158,553	\$ 670,320	\$ 168,777	\$ 11,606	\$ 7,606	\$ 1,016,862	\$ 84,158	\$ 115,245	\$ 1,216,265
Payroll taxes	12,024	50,935	12,807	681	681	77,128	5,969	8,173	91,270
Health insurance	31,431	93,381	24,643	1,348	1,348	152,151	11,805	16,168	180,124
Retirement plan expense	2,108	10,758	2,085	682	682	16,315	7,436	12,566	36,317
Total Salaries and Benefits	204,116	825,394	208,312	14,317	10,317	1,262,456	109,368	152,152	1,523,976
Depreciation	100,883	119,603	39,450	145	145	260,226	2,655	2,655	265,536
Rent	43,168	9,926	144,619	627	627	198,967	120	185	199,272
General fundraising expenses	-	-	-	-	-	-	-	216,457	216,457
Repairs and maintenance	22,287	47,495	2,474	93	93	72,442	-	-	72,442
Grants and pledges	-	-	-	-	202,990	202,990	-	-	202,990
Utilities	44,497	83,262	16,875	245	245	145,124	1,951	3,002	150,077
House administration	7,015	26,740	4,326	1,987	1,987	42,055	4,463	7,706	54,224
Insurance	31,674	33,630	28,056	955	955	95,270	8,367	11,458	115,095
Legal and professional fees	-	-	-	-	-	-	83,654	-	83,654
Outside services	9,958	19,764	1,382	123	123	31,350	-	-	31,350
Food service and supplies	1,460	19,461	1,369	-	-	22,290	-	-	22,290
Office expense	2,086	6,351	2,419	770	770	12,396	-	-	12,396
Meetings and travel	-	-	-	-	-	-	6,249	-	6,249
Cost of items sold	1,057	4,228	-	-	-	5,285	-	-	5,285
Advertising	-	-	-	-	-	-	-	1,564	1,564
Taxes and licenses	496	1,015	108	10	10	1,639	-	-	1,639
	\$ 468,697	\$ 1,196,869	\$ 449,390	\$ 19,272	\$ 218,262	\$ 2,352,490	\$ 216,827	\$ 395,179	2,964,496
Unallocated payments to RMHC Global									120,577
Total Expenses									\$ 3,085,073

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<i>Cash Flows from Operating Activities:</i>		
Change in net assets	\$ (447,013)	\$ 682,013
<i>Adjustments to reconcile change in net assets to cash provided by operating activities:</i>		
Depreciation	291,698	265,536
Realized gain on investments	(192,895)	(125,046)
Unrealized loss on investments	857,860	163,999
<i>Decrease (increase) in:</i>		
Unconditional promises to give	(62,503)	(129,739)
Other receivables	(27,785)	-
Prepaid expenses	35,742	(49,910)
<i>Increase (decrease) in:</i>		
Accounts payable	(15,630)	(52,573)
Accrued expenses	53,422	(50,040)
Deferred revenue	(68,250)	10,000
	<u>424,646</u>	<u>714,240</u>
<i>Net cash provided by operating activities</i>		
<i>Cash Flows from Investing Activities</i>		
Proceeds from sale of investments	2,186,995	1,700,868
Purchases of investments	(2,036,355)	(2,056,880)
Purchases of property and equipment	(865,962)	(114,497)
	<u>(715,322)</u>	<u>(470,509)</u>
<i>Net cash used in investing activities</i>		
<i>Net (Decrease) Increase in Cash</i>	(290,676)	243,731
<i>Cash at Beginning of Year</i>	<u>388,935</u>	<u>145,204</u>
<i>Cash at End of Year</i>	<u>\$ 98,259</u>	<u>\$ 388,935</u>

See accompanying notes to financial statements

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 create, find and support programs that directly improve the health and well-being of children. Guiding the Organization in this mission are the core values:

- Focusing on the critical needs of children
- Celebrating the diversity of our people and programs
- Valuing our heritage
- Operating with accountability and transparency

To achieve the mission, the Organization operates four Ronald McDonald Houses; three in St. Petersburg and one in Tampa, offering a total of 80 bedrooms with private baths. 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.

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, 2015 AND 2014

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. **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 ended December 31, 2015 and 2014, 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.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Unconditional 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.

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using current risk-free rates of return based on the U.S. Treasury Securities yield with maturity dates similar to the expected contribution collection period. The rate applied for the years ended December 31, 2015 and 2014 was approximately 2.5%. 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, 2015 and 2014, no allowance was recorded.

6. Investments

Investments in debt and equity securities and mutual funds are stated at fair market value 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 earned on the endowment fund are reported as increases in temporarily restricted net assets in the reporting period in which the income and gains are recognized and released from restriction when distributed for operating purposes.

7. 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.

8. Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2015 and 2014, 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 US GAAP.

11. **Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Expenses are allocated among program, management and general, and fundraising 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.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. **Advertising**

Advertising costs are expensed as incurred and were approximately \$700 and \$1,600 for the years ended December 31, 2015 and 2014, 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.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

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

	<u>2015</u>	<u>2014</u>
Gross unconditional promises to give	\$ 204,944	\$ 141,522
Less: Unamortized discount	<u>6,127</u>	<u>5,208</u>
Net unconditional promises to give	<u>\$ 198,817</u>	<u>\$ 136,314</u>
Amounts due in:		
Less than one year	\$ 64,195	\$ 40,105
One to five years	<u>140,749</u>	<u>101,417</u>
	<u>\$ 204,944</u>	<u>\$ 141,522</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land - St. Petersburg - East	\$ 515,000	\$ 515,000
St. Petersburg Houses and improvements	4,106,231	3,930,577
Central House and improvements	382,713	382,713
Tampa House and improvements	2,735,214	2,542,204
Tampa administrative office	<u>497,299</u>	<u>-</u>
	8,236,457	7,370,494
Less accumulated depreciation	<u>(4,753,656)</u>	<u>(4,461,957)</u>
	<u>\$ 3,482,801</u>	<u>\$ 2,908,537</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 lease originated in 1989 and calls for an annual payment of \$1 per year. 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, 2015 and 2014. The City of Tampa has the right to terminate the lease with 60 days advance notice. No amount has been recorded in the accompanying financial statements for the fair value of the lease agreement as the value cannot be estimated and the right to terminate the lease renders it conditional.

The Organization leases space from All Children's Hospital in St. Petersburg, Florida for the Central House opened in 2010. The lease originated in 2009 and calls for annual payments of \$1 per year over 15 years. 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 \$182,975 and \$142,721 for years ended December 31, 2015 and December 31, 2014, respectively. Both parties have the right to terminate the lease. No amount has been recorded in the accompanying financial statements for the fair value of the lease agreement as the value cannot be estimated and the term is not substantiated and the right to terminate the lease renders it conditional.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE E - LEASES - CONTINUED

The Organization also leases various office equipment. The total lease expense for these leased items was approximately \$16,300 and \$16,100 for years ended December 31, 2015 and 2014, respectively.

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

	<u><i>Future Minimum Lease Payments</i></u>
2016	\$ 7,501
2017	7,501
2018	<u>5,629</u>
	<u>\$ 20,631</u>

NOTE F - INVESTMENTS

Investments are carried at fair value and are as follows:

	<u><i>Amortized Cost</i></u>	<u><i>Unrealized Gain (Loss)</i></u>	<u><i>Fair Value</i></u>
At December 31, 2015:			
Unrestricted:			
Money market	\$ 196,395	\$ -	\$ 196,395
Equity securities	1,763,714	479,420	2,243,134
Preferred stock	215,304	16,550	231,854
Exchange-traded and Closed-end funds	134,835	(57,165)	77,670
Debt securities	308,414	(5,437)	302,977
Corporate fixed income	684,502	(12,287)	672,215
Mutual funds	<u>4,773,480</u>	<u>(142,206)</u>	<u>4,631,274</u>
	8,076,644	278,875	8,355,519
Permanently and temporarily restricted:			
Money market	35,488	-	35,488
Mutual funds	<u>1,287,300</u>	<u>(49,941)</u>	<u>1,237,359</u>
	<u>1,322,788</u>	<u>(49,941)</u>	<u>1,272,847</u>
	<u>\$ 9,399,432</u>	<u>\$ 228,934</u>	<u>\$ 9,628,366</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE F - INVESTMENTS - CONTINUED

Investments are carried at fair value and are as follows:

<i>At December 31, 2014:</i>	<i>Amortized Cost</i>	<i>Unrealized Gain (Loss)</i>	<i>Fair Value</i>
Unrestricted:			
Money market	\$ 321,477	\$ -	\$ 321,477
Equity securities	1,680,618	633,890	2,314,508
Preferred stock	234,608	11,842	246,450
Exchange-traded and Closed-end funds	135,900	(420)	135,480
Debt securities	176,494	(7,172)	169,322
Corporate fixed income	588,826	534	589,360
Mutual funds	<u>4,554,721</u>	<u>374,905</u>	<u>4,929,626</u>
	7,692,644	1,013,579	8,706,223
Permanently and temporarily restricted:			
Money market	83,150	-	83,150
Mutual funds	<u>1,581,383</u>	<u>73,215</u>	<u>1,654,598</u>
	<u>1,664,533</u>	<u>73,215</u>	<u>1,737,748</u>
	<u>\$ 9,357,177</u>	<u>\$ 1,086,794</u>	<u>\$ 10,443,971</u>

Earnings on investments consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Interest income	\$ 24,920	\$ 12,157
Dividend income	258,848	265,388
Capital gain distribution income	92,274	170,742
Realized gains	192,895	125,046
Unrealized losses	<u>(857,860)</u>	<u>(163,999)</u>
	<u>\$ (288,923)</u>	<u>\$ 409,334</u>

Expenses related to investment revenue, including custodial fees and investment advisory fees, amounted to approximately \$37,700 and \$29,500 for the years ended December 31, 2015 and 2014, respectively.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2015.

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 closing quoted price reported in the active market using market pricing and other observable inputs for similar securities obtained from industry standard data providers.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year-end based on quoted prices of the various funds in active markets.

Exchange-traded and closed-end funds: Valued at the net asset value (NAV) of shares held by the Organization at year-end based on quoted prices of each fund's securities, cash, and other assets traded in active markets less all of its liabilities divided by the total number of shares outstanding.

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, 2015 AND 2014

NOTE G - FAIR VALUE MEASUREMENT - CONTINUED

At December 31, 2015 and 2014, fair value by asset category is as follows:

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
<u>December 31, 2015</u>				
Cash/money markets	\$ 231,883	\$ 231,883	\$ -	\$ -
Equity securities	2,243,134	2,243,134	-	-
Preferred stocks	231,854	-	231,854	-
Exchange-traded and Closed-end funds	77,670	77,670	-	-
Mutual funds	5,868,633	5,868,633	-	-
Corporate fixed income	672,215	-	672,215	-
Debt securities	<u>302,977</u>	<u>-</u>	<u>302,977</u>	<u>-</u>
Total	<u>\$ 9,628,366</u>	<u>\$ 8,421,320</u>	<u>\$1,207,046</u>	<u>\$ -</u>
<u>December 31, 2014</u>				
Cash/money markets	\$ 404,627	\$ 404,627	\$ -	\$ -
Equity securities	2,314,508	2,314,508	-	-
Preferred stocks	246,450	-	246,450	-
Exchange-traded and Closed-end funds	135,480	135,480	-	-
Mutual funds	6,584,224	6,584,224	-	-
Corporate fixed income	589,360	-	589,360	-
Debt securities	<u>169,322</u>	<u>-</u>	<u>169,322</u>	<u>-</u>
Total	<u>\$ 10,443,971</u>	<u>\$ 9,438,839</u>	<u>\$1,005,132</u>	<u>\$ -</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE H - ENDOWMENT FUND

The Organization's endowment consists of a gift of McDonald's Corporation stock received from Mrs. Joan Kroc in 1994. The terms of this \$1 million 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. The 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

For the years ended December 31, 2015 and 2014, 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.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE H - ENDOWMENT FUND - CONTINUED

Summary of Endowment Assets:

Endowment assets as of December 31 are invested as follows:

	<u>2015</u>	<u>2014</u>	
Investments	\$ 1,272,847	\$ 1,737,748	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
			<u>Total</u>

Summary of Endowment Assets December 31, 2015:

Donor-restricted endowment	\$	-	\$ 272,847	\$ 1,000,000	\$1,272,847
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Summary of Endowment Assets December 31, 2014:

Donor-restricted endowment	\$	-	\$ 737,748	\$ 1,000,000	\$1,737,748
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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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Changes in endowment net assets as of December 31, 2015:

Endowment net assets, beginning	\$	-	\$ 737,748	\$ 1,000,000	\$1,737,748
Investment earnings, net	-		51,296	-	51,296
Net investment depreciation	-		(123,156)	-	(123,156)
Released from restriction	-		(393,041)	-	(393,041)
Endowment net assets, ending	\$	-	\$ 272,847	\$ 1,000,000	\$1,272,847

Changes in endowment net assets as of December 31, 2014:

Endowment net assets, beginning	\$	-	\$ 880,503	\$ 1,000,000	\$1,880,503
Investment earnings, net	-		108,041	-	108,041
Net investment depreciation	-		(69,706)	-	(69,706)
Released from restriction	-		(181,090)	-	(181,090)
Endowment net assets, ending	\$	-	\$ 737,748	\$ 1,000,000	\$1,737,748

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE H - ENDOWMENT FUND - CONTINUED

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 endowment fund may distribute income and dividends. Under Florida UPMIFA capital gains may also be distributed. Investment earnings and capital gains are accumulated in temporarily restricted net assets. Distributions are considered as a release from restriction from the temporarily 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.

NOTE I - LINE-OF-CREDIT

The Organization entered into a \$2,500,000 line-of-credit with a financial institution in December 2015. The line-of-credit is collateralized by the non-endowment fund investment accounts of the Organization. There was no balance outstanding at December 31, 2015.

NOTE J - 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.

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE K - 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, 2015 and 2014, the Organization had approximately \$83,500 and \$30,100 payable to RMHC Global, respectively.

NOTE L - RETIREMENT PLAN

The Organization had a 403(b) deferred compensation plan which covers substantially all employees. Contributions to the plan were at the discretion of the Board of Trustees. Total contributions amounted to approximately \$36,300 in 2014. This plan was terminated in November 2015 and no contributions were made to the plan.

Effective January 1, 2016, the Organization adopted a plan covered under Section 401(k) of the Internal Revenue Code. The 401(k) plan allows participants to defer some of their compensation by electing to make contributions into the plan. The plan also provides for the Organization to make discretionary matches. The plan covers all employees at least 21 years of age after completing one year of service.

NOTE M - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows:

	<u>2015</u>	<u>2014</u>
Accumulated earnings on Endowment	\$ 272,847	\$ 737,748
Capital Campaign – Central House	-	2,105
Tampa House operations	-	8,366
St. Petersburg East House	32,600	-
St. Petersburg East House renovations pledge	80,000	-
Care Mobile	11,000	-
Adopt a Room	<u>124,945</u>	<u>139,417</u>
	<u>\$ 521,392</u>	<u>\$ 887,636</u>

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were comprised of the following:

	<u>2015</u>	<u>2014</u>
Endowment earnings appropriated for expenditure	\$ 393,041	\$ 181,090
Time restrictions expired on pledges	41,577	35,053
Use restrictions expired	<u>76,866</u>	<u>6,634</u>
	<u>\$ 511,484</u>	<u>\$ 222,777</u>

NOTE O - PRIOR PERIOD ADJUSTMENT

As part of our audit of the 2015 financial statements, net assets have been adjusted as of December 31, 2014 and 2013 has been restated. This adjustment is a reclassification of net assets to better reflect implementation of the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and its impact on the permanently restricted net assets of the Organization. This had the effect of overstating/understating net assets, total revenue and change in net assets between the three net asset classifications. This adjustment between net asset classifications had no impact on total net assets, total revenues, and total change in net assets for the years ended December 31, 2014 and 2013.

The effect of the restatement on the net assets classifications in the 2014 financial statements was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets				
As previously stated	\$ 11,894,727	\$ 149,888	\$ 1,629,707	\$ 13,674,322
As restated	11,786,686	887,636	1,000,000	13,674,322
Total Revenues				
As previously stated	\$ 3,693,479	\$ 143,313	\$ (69,706)	\$ 3,767,086
As restated	3,766,528	558	-	3,767,086
Change in Net Assets				
As previously stated	\$ 608,406	\$ 143,313	\$ (69,706)	\$ 682,013
As restated	681,455	558	-	682,013

RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE O - PRIOR PERIOD ADJUSTMENT - CONTINUED

The effect of the restatement on the net assets classifications in the 2013 financial statements was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets				
As previously stated	\$ 11,286,321	\$ 6,575	\$ 1,699,413	\$ 12,992,309
As restated	11,105,231	887,078	1,000,000	12,992,309
Total Revenues				
As previously stated	\$ 3,968,000	\$ (279,294)	\$ 90,098	\$ 3,778,804
As restated	3,786,910	601,209	(609,315)	3,778,804
Change in Net Assets				
As previously stated	\$ 995,444	\$ (279,294)	\$ 90,098	\$ 806,248
As restated	814,354	601,209	(609,315)	806,248

NOTE P - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through April 21, 2016, 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.