

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
RONALD MCDONALD HOUSE CHARITIES OF TAMPA BAY, INC.

December 31, 2017 and 2016

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CERTIFIED PUBLIC ACCOUNTANTS**

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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. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

## 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, 2017 and 2016, 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.

*Bucio, Gordinier & Company, P.A.*

Tampa, Florida  
May 24, 2018

Ronald McDonald House Charities of Tampa Bay, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash (note A5)	\$ 391,335	\$ 423,255
Unconditional promises to give, net (notes A6 and B)	214,620	159,082
Other receivables	215,067	135,136
Prepaid expenses	9,852	3,164
Investments (notes A4, A7, E and F)	11,864,000	10,300,788
Property and equipment, net (notes A8 and C)	<u>3,200,608</u>	<u>3,402,401</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 15,895,482</u></b>	<b><u>\$ 14,423,826</u></b>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit (note H)	\$ -	\$ -
Accounts payable	107,192	69,401
Accrued expenses	66,170	136,220
Deferred revenue	<u>16,727</u>	<u>29,500</u>
Total liabilities	<u>190,089</u>	<u>235,121</u>
NET ASSETS		
Unrestricted net assets	13,564,273	12,574,922
Temporarily restricted net assets (notes A2 and L)	1,141,120	613,783
Permanently restricted net assets	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>15,705,393</u>	<u>14,188,705</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,895,482</u></b>	<b><u>\$ 14,423,826</u></b>

The accompanying notes are an integral part of these statements.

Ronald McDonald House Charities of Tampa Bay, Inc.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Contributions	\$ 2,277,704	\$ 458,902	\$ -	\$ 2,736,606
Contributions - non-cash	495,840	-	-	495,840
Guest donations	84,584	-	-	84,584
Special events, net of direct costs of \$353,780	481,248	43,000	-	524,248
Investment income	289,753	63,503	-	353,256
Realized gain on investments	236,081	25,348	-	261,429
Unrealized gain on investments	623,920	47,834	-	671,754
Other revenue	14,844	-	-	14,844
Net assets released from restrictions (note M)	111,250	(111,250)	-	-
<b>Total revenues</b>	<b>4,615,224</b>	<b>527,337</b>	<b>-</b>	<b>5,142,561</b>
<b>EXPENSES</b>				
Program services	2,851,729	-	-	2,851,729
Management and general	290,137	-	-	290,137
Fundraising	373,157	-	-	373,157
Unallocated payments to RMHC Global	110,850	-	-	110,850
<b>Total expenses</b>	<b>3,625,873</b>	<b>-</b>	<b>-</b>	<b>3,625,873</b>
Change in net assets	989,351	527,337	-	1,516,688
Net assets at beginning of year	12,574,922	613,783	1,000,000	14,188,705
Net assets at end of year	<u>\$ 13,564,273</u>	<u>\$ 1,141,120</u>	<u>\$ 1,000,000</u>	<u>\$ 15,705,393</u>

The accompanying notes are an integral part of this statement.

Ronald McDonald House Charities of Tampa Bay, Inc.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Pertmanently Restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions	\$ 2,382,004	\$ 85,000	\$ -	\$ 2,467,004
Contributions - non-cash	570,358	-	-	570,358
Guest donations	89,052	-	-	89,052
Special events, net of direct costs of \$508,788	401,228	-	-	401,228
Investment income	281,859	63,776	-	345,635
Realized gain on investments	37,039	-	-	37,039
Unrealized gain on investments	429,363	60,385	-	489,748
Other revenue	13,604	-	-	13,604
Net assets released from restrictions (note M)	116,770	(116,770)	-	-
	<u>4,321,277</u>	<u>92,391</u>	<u>-</u>	<u>4,413,668</u>
<b>EXPENSES</b>				
Program services	2,888,751	-	-	2,888,751
Management and general	264,658	-	-	264,658
Fundraising	337,199	-	-	337,199
Unallocated payments to RMHC Global	86,664	-	-	86,664
	<u>3,577,272</u>	<u>-</u>	<u>-</u>	<u>3,577,272</u>
Change in net assets	744,005	92,391	-	836,396
Net assets at beginning of year	<u>11,830,917</u>	<u>521,392</u>	<u>1,000,000</u>	<u>13,352,309</u>
Net assets at end of year	<u>\$ 12,574,922</u>	<u>\$ 613,783</u>	<u>\$ 1,000,000</u>	<u>\$ 14,188,705</u>

The accompanying notes are an integral part of this statement.

Ronald McDonald House Charities of Tampa Bay, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

December 31, 2017

	Program Services					Supporting Services		Total
	Tampa House	St. Pete House	Central House	Scholarships and Grants	Total Program Services	Management and General	Fundraising	
Salaries	\$ 196,917	\$ 800,412	\$ 217,490	\$ 11,479	\$ 1,226,298	\$ 109,327	\$ 91,105	\$ 1,426,730
Payroll taxes	14,953	61,370	16,527	830	93,680	7,901	6,584	108,165
Health insurance	40,382	159,462	27,906	1,698	229,448	16,176	13,480	259,104
Retirement plan expense	5,034	20,463	5,560	293	31,350	2,795	2,329	36,474
Total salaries and benefits	<u>257,286</u>	<u>1,041,707</u>	<u>267,483</u>	<u>14,300</u>	<u>1,580,776</u>	<u>136,199</u>	<u>113,498</u>	<u>1,830,473</u>
Advertising	-	-	-	-	-	-	6,103	6,103
Cost of items sold	732	2,842	732	-	4,306	-	-	4,306
Depreciation	70,625	151,649	40,209	1,301	263,784	12,393	10,328	286,505
Donated linens and supplies	37,372	148,004	33,103	-	218,479	-	-	218,479
Food service and supplies	2,288	14,896	2,889	-	20,073	-	-	20,073
General fundraising expenses	-	-	-	-	-	-	230,025	230,025
Grants and pledges	-	-	-	103,732	103,732	-	-	103,732
House administration	5,698	20,498	6,732	-	32,928	24,481	-	57,409
Insurance	20,180	34,859	16,133	626	71,798	5,959	4,966	82,723
Legal and professional fees	-	-	-	-	-	77,746	-	77,746
Meetings and travel	-	-	-	-	-	19,863	-	19,863
Office expense	1,794	9,414	2,775	533	14,516	5,074	4,228	23,818
Outside services	11,821	38,168	10,636	192	60,817	1,829	1,524	64,170
Rent	43,951	5,563	182,975	-	232,489	1,037	-	233,526
Repairs and maintenance	24,774	56,213	12,747	-	93,734	1,275	-	95,009
Taxes and licenses	137	552	230	-	919	1,300	-	2,219
Utilities	42,972	92,964	17,129	313	153,378	2,981	2,485	158,844
	<u>262,344</u>	<u>575,622</u>	<u>326,290</u>	<u>106,697</u>	<u>1,270,953</u>	<u>153,938</u>	<u>259,659</u>	<u>1,684,550</u>
	<u>\$ 519,630</u>	<u>\$ 1,617,329</u>	<u>\$ 593,773</u>	<u>\$ 120,997</u>	<u>\$ 2,851,729</u>	<u>\$ 290,137</u>	<u>\$ 373,157</u>	<u>3,515,023</u>
Unallocated payments to RMHC Global								<u>110,850</u>
Total expenses								<u>\$ 3,625,873</u>

The accompanying notes are an integral part of this statement.



Ronald McDonald House Charities of Tampa Bay, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

December 31, 2016

	Program Services				Supporting Services			Total
	Tampa House	St. Pete House	Central House	Scholarships and Grants	Total Program Services	Management and General	Fundraising	
Salaries	\$ 187,902	\$ 830,790	\$ 186,703	\$ 12,343	\$ 1,217,738	\$ 116,290	\$ 97,540	\$ 1,431,568
Payroll taxes	14,322	64,025	14,167	885	93,399	8,338	6,995	108,732
Health insurance	35,798	153,879	24,997	1,484	216,158	13,980	11,726	241,864
Retirement plan expense	10,502	44,345	5,665	505	61,017	5,866	4,362	71,245
Total salaries and benefits	<u>248,524</u>	<u>1,093,039</u>	<u>231,532</u>	<u>15,217</u>	<u>1,588,312</u>	<u>144,474</u>	<u>120,623</u>	<u>1,853,409</u>
Advertising	-	-	-	-	-	-	15,801	15,801
Cost of items sold	620	2,814	620	-	4,054	-	-	4,054
Depreciation	106,835	148,144	42,635	1,591	299,205	6,233	6,233	311,671
Donated linens and supplies	39,152	141,356	32,723	-	213,231	-	-	213,231
Food service and supplies	8,385	23,814	2,228	-	34,427	85	-	34,512
General fundraising expenses	-	-	-	-	-	-	180,817	180,817
Grants and pledges	-	-	-	101,151	101,151	-	-	101,151
House administration	6,616	26,922	11,256	2,471	47,265	9,456	-	56,721
Insurance	19,950	34,809	15,948	703	71,410	5,937	4,241	81,588
Legal and professional fees	-	-	-	-	-	65,430	-	65,430
Meetings and travel	-	-	-	-	-	22,776	-	22,776
Office expense	3,269	12,744	3,205	1,180	20,398	351	351	21,100
Outside services	6,581	16,602	10,056	918	34,157	4,132	4,132	42,421
Rent	42,673	5,873	182,975	-	231,521	783	-	232,304
Repairs and maintenance	28,585	59,019	2,740	39	90,383	1,883	1,883	94,149
Taxes and licenses	671	2,159	598	135	3,563	-	-	3,563
Utilities	45,679	84,730	18,673	592	149,674	3,118	3,118	155,910
	<u>309,016</u>	<u>558,986</u>	<u>323,657</u>	<u>108,780</u>	<u>1,300,439</u>	<u>120,184</u>	<u>216,576</u>	<u>1,637,199</u>
	<u>\$ 557,540</u>	<u>\$ 1,652,025</u>	<u>\$ 555,189</u>	<u>\$ 123,997</u>	<u>\$ 2,888,751</u>	<u>\$ 264,658</u>	<u>\$ 337,199</u>	<u>3,490,608</u>
Unallocated payments to RMHC Global								<u>86,664</u>
Total expenses								<u>\$ 3,577,272</u>

The accompanying notes are an integral part of this statement.

Ronald McDonald House Charities of Tampa Bay, Inc.

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 1,516,688	\$ 836,396
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	286,505	311,671
Realized gain on investments	(261,429)	(37,039)
Unrealized gain on investments	(671,754)	(489,748)
(Increase) decrease in unconditional promises to give	(55,538)	39,735
Increase in other receivables	(79,931)	(107,351)
(Increase) decrease in prepaid expenses	(6,688)	12,048
Increase in accounts payable	37,791	6,603
Decrease in accrued expenses	(70,050)	(17,613)
Decrease in deferred revenue	(12,773)	(3,500)
Net cash provided by operating activities	<u>682,821</u>	<u>551,202</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,397,789	1,264,366
Purchases of investments	(2,027,818)	(1,410,001)
Purchase of property and equipment	(84,712)	(231,271)
Net cash used in investing activities	<u>(714,741)</u>	<u>(376,906)</u>
Net (decrease) increase in cash	(31,920)	174,296
Cash and cash equivalents at beginning of year	<u>423,255</u>	<u>248,959</u>
Cash and cash equivalents at end of year	<u>\$ 391,335</u>	<u>\$ 423,255</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Ronald McDonald House Charities of Tampa Bay, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. General

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, fund 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.

2. 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 (U.S. 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 THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

4. 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.

5. Cash and Cash Equivalents

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

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. The Organization's cash balance may have exceeded the federally insured limit from time to time throughout the years ended December 31, 2017 and 2016. 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 THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. 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, 2017 and 2016 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. No allowance was recorded at December 31, 2017 and 2016.

7. Investments

Investments in debt and equity securities and mutual funds are stated at fair 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.

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. 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 THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. 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.

11. 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, 2017 and 2016, 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 U.S. GAAP.

12. 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 THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Advertising

Advertising costs are expensed as incurred and were approximately \$6,100 and \$15,800 for the years ended December 31, 2017 and 2016, respectively.

14. 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.

15. 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 liability 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 a 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. Accordingly, tax years after 2012 remain open for examination.

NOTE B - UNCONDITIONAL PROMISES TO GIVE

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

	<u>2017</u>	<u>2016</u>
Gross unconditional promises to give	\$ 221,194	\$ 162,445
Less unamortized discount	<u>(6,574)</u>	<u>(3,363)</u>
Net unconditional promises to give	<u>\$ 214,620</u>	<u>\$ 159,082</u>
Amount due in		
Less than one year	\$ 89,750	\$ 66,500
One to five years	<u>131,444</u>	<u>95,945</u>
	<u>\$ 221,194</u>	<u>\$ 162,445</u>

Ronald McDonald House Charities of Tampa Bay, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land - St. Petersburg - East	\$ 515,000	\$ 515,000
St. Petersburg Houses and improvements	4,312,521	4,274,133
Central House and improvements	403,167	382,713
Tampa House and improvements	2,821,275	2,795,406
Tampa administrative office	<u>500,475</u>	<u>500,475</u>
	8,552,438	8,467,727
Less accumulated depreciation	<u>(5,351,830)</u>	<u>(5,065,326)</u>
	<u>\$ 3,200,608</u>	<u>\$ 3,402,401</u>

NOTE D - 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. In 2017 the option to renew for an additional twenty years was exercised and the lease extended to 2038. The Organization recorded an in-kind donation and rent expense on the land at its net realizable value estimated by management at \$40,500 for each of the years ended December 31, 2017 and 2016. 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 future 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 that opened in 2010. The lease originated in 2009 and calls for annual payments of \$1 per year over fifteen 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 for each of the years ended December 31, 2017 and December 31, 2016. Both parties have the right to terminate the lease. No amount has been recorded in the accompanying financial statements for the future fair value of the lease agreement, as the value cannot be estimated, the term is not substantiated, and the right to terminate the lease renders it conditional.

The Organization also leases various office equipment. The total lease expense for these leased items was approximately \$10,100 and \$8,800 for years ended December 31, 2017 and 2016, respectively.



Ronald McDonald House Charities of Tampa Bay, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE D - LEASES - Continued

Future minimum lease payments consist of \$5,600 that continues through December 31, 2018.

NOTE E - INVESTMENTS

Investments are carried at fair value and are as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted		
Money market	\$ 210,198	\$ 264,980
Equity securities	3,279,737	2,551,954
Preferred stock	252,877	207,080
Exchange-trade and closed-end funds	88,779	87,750
Debt securities	424,370	310,882
Corporate fixed income	830,832	698,922
Mutual funds	<u>5,243,514</u>	<u>4,782,212</u>
	<u>10,330,307</u>	<u>8,903,780</u>
Permanently and temporarily restricted		
Money market	67,320	93,715
Equity securities	205,581	-
Exchange-trade and closed-end funds	5,102	-
Mutual funds	<u>1,255,690</u>	<u>1,303,293</u>
	<u>1,533,693</u>	<u>1,397,008</u>
	<u>\$ 11,864,000</u>	<u>\$ 10,300,788</u>

The components of investment income are summarized as follows for the years ended December 31;

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 353,256	\$ 345,635
Realized gains	261,429	37,039
Unrealized gains	<u>671,754</u>	<u>489,748</u>
	<u>\$ 1,286,439</u>	<u>\$ 872,422</u>

Expenses related to investment revenue, including custodial fees and investment advisory fees, amounted to approximately \$48,500 and \$40,500 for the years ended December 31, 2017 and 2016, respectively.

Ronald McDonald House Charities of Tampa Bay, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE F - 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, 2017 and 2016.

- 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 THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE F - FAIR VALUE MEASUREMENT - Continued

Fair value by asset category is as follows at December 31,:

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Cash/money markets	\$ 277,518	\$ -	\$ -	\$ 277,518
Equity securities	3,485,318	-	-	3,485,318
Preferred stocks	-	252,877	-	252,877
Exchange-trade and closed-end funds	93,881	-	-	93,881
Mutual funds	6,499,204	-	-	6,499,204
Corporate fixed income	-	830,832	-	830,832
Debt securities	-	424,370	-	424,370
Total	<u>\$ 10,355,921</u>	<u>\$ 1,508,079</u>	<u>\$ -</u>	<u>\$ 11,864,000</u>

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Cash/money markets	\$ 358,694	\$ -	\$ -	\$ 358,694
Equity securities	2,551,954	-	-	2,551,954
Preferred stocks	-	207,080	-	207,080
Exchange-trade and closed-end funds	87,750	-	-	87,750
Mutual funds	6,085,505	-	-	6,085,505
Corporate fixed income	-	698,922	-	698,922
Debt securities	-	310,882	-	310,882
Total	<u>\$ 9,083,903</u>	<u>\$ 1,216,884</u>	<u>\$ -</u>	<u>\$ 10,300,787</u>

NOTE G - 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.

Ronald McDonald House Charities of Tampa Bay, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE G - ENDOWMENT FUND - Continued

*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:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

For the years ended December 31, 2017 and 2016, 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 THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE G - ENDOWMENT FUND - Continued

Changes in endowment net assets as of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>December 31, 2017</u>				
Endowment net assets, beginning	\$ -	\$ 397,008	\$ 1,000,000	\$ 1,397,008
Investments earnings, net	-	63,503	-	63,503
Net investment appreciation	-	73,182	-	73,182
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 533,693</u>	<u>\$ 1,000,000</u>	<u>\$ 1,533,693</u>
<u>December 31, 2016</u>				
Endowment net assets, beginning	\$ -	\$ 272,847	\$ 1,000,000	\$ 1,272,847
Investments earnings, net	-	63,776	-	63,776
Net investment appreciation	-	60,385	-	60,385
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 397,008</u>	<u>\$ 1,000,000</u>	<u>\$ 1,397,008</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 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.

Ronald McDonald House Charities of Tampa Bay, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE H - LINE-OF-CREDIT

The Organization entered into a \$2,500,000 line-of-credit with a financial institution in December 2016. The line-of-credit is collateralized by the non-endowment fund investment accounts of the Organization. There was no balance outstanding at December 31, 2017 and 2016.

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 are 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. The Organization had approximately \$21,000 and \$24,000 payable to RMHC Global at December 31, 2017 and 2016, respectively.

NOTE K - RETIREMENT 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. Contributions to the plan totaled \$36,475 and \$71,245 during the year ended December 31, 2017 and 2016, respectively.

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows:

	<u>2017</u>	<u>2016</u>
Accumulated earnings on endowment	\$ 533,693	\$ 397,008
St. Petersburg East House	95,000	10,000
St. Petersburg East House renovation pledge	40,000	60,000
St. Petersburg West House	10,000	10,000
St. Petersburg Central House	35,000	-
Tampa House	113,992	25,000
Tampa Meeting Center	9,331	9,331
Adopt A Room	81,194	102,444
Staff Development	30,000	-
Other Program Restrictions	42,910	-
Other Time Restrictions	150,000	-
	<u>\$ 1,141,120</u>	<u>\$ 613,783</u>

Ronald McDonald House Charities of Tampa Bay, Inc.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE M - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were comprised of the following:

	<u>2017</u>	<u>2016</u>
Time restrictions expired on pledges	\$ 46,250	\$ 42,501
Use restrictions expired	<u>65,000</u>	<u>74,269</u>
	<u>\$ 111,250</u>	<u>\$ 116,770</u>

NOTE O - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to December 31, 2017 as of May 24, 2018 which is the date the financial statements were available to be issued.