

**Ronald McDonald House Charities
of Northwest Florida, Inc.
(A Nonprofit Organization)
Financial Statements
December 31, 2015 and 2014**

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Independent Auditor's Report

To The Board of Directors
Ronald McDonald House Charities of Northwest Florida, Inc.
Pensacola, Florida

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northwest Florida, Inc., (a nonprofit 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.

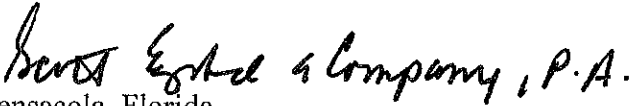
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To The Board of Directors
Ronald McDonald House Charities of Northwest Florida, Inc.
Pensacola, Florida

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 Ronald McDonald House Charities of Northwest Florida, Inc., 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.


Pensacola, Florida
April 28, 2016

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statements of Financial Position
December 31, 2015 and 2014

| | <u>Assets</u> | |
|--|----------------------------|----------------------------|
| | <u>2015</u> | <u>2014</u> |
| Assets: | | |
| Cash and cash equivalents | \$ 757,563 | \$ 747,329 |
| Prepaid expenses and other | 16,674 | 31,102 |
| Unconditional promises to give | 361,275 | 301,189 |
| Investments | 1,682,589 | 1,695,084 |
| Property and equipment—net | 3,658,527 | 3,781,670 |
| Deposits | <u>2,000</u> | <u>2,000</u> |
| Total Assets | <u><u>\$ 6,478,628</u></u> | <u><u>\$ 6,558,374</u></u> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities: | | |
| Accounts payable | 10,556 | 12,432 |
| Accrued payroll | <u>34,813</u> | <u>15,938</u> |
| Total Liabilities | <u>45,369</u> | <u>28,370</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Operating | 4,286,871 | 4,637,665 |
| Board designated | <u>1,006,525</u> | <u>855,651</u> |
| Total unrestricted net assets | 5,293,396 | 5,493,316 |
| Temporarily restricted | 100,225 | - |
| Permanently restricted | <u>1,039,638</u> | <u>1,036,688</u> |
| Total Net Assets | <u>6,433,259</u> | <u>6,530,004</u> |
| Total Liabilities and Net Assets | <u><u>\$ 6,478,628</u></u> | <u><u>\$ 6,558,374</u></u> |

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statement of Activities
For the Year Ended December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenues and Other Support | | | | |
| Contributions | | | | |
| Gifts and grants | \$ 843,588 | \$ 133,739 | \$ 2,950 | \$ 980,277 |
| In-kind | 324,000 | - | - | 324,000 |
| Total contributions | <u>1,167,588</u> | <u>133,739</u> | <u>2,950</u> | <u>1,304,277</u> |
| Special event revenue | 143,461 | - | - | 143,461 |
| Less direct expenses | <u>(65,081)</u> | <u>-</u> | <u>-</u> | <u>(65,081)</u> |
| Net special event revenue | <u>78,380</u> | <u>-</u> | <u>-</u> | <u>78,380</u> |
| Loss on disposal of equipment | (1,420) | - | - | (1,420) |
| Net assets released from restrictions | <u>41,455</u> | <u>(41,455)</u> | <u>-</u> | <u>-</u> |
| Total Revenues and Other Support | <u>1,286,003</u> | <u>92,284</u> | <u>2,950</u> | <u>1,381,237</u> |
| Expenses | | | | |
| Program services | 1,137,417 | - | - | 1,137,417 |
| Supporting services | | | | |
| Management and general | 76,767 | - | - | 76,767 |
| Fundraising | 154,444 | - | - | 154,444 |
| Unallocated payments to RMHC Global | <u>39,094</u> | <u>-</u> | <u>-</u> | <u>39,094</u> |
| Total Expenses | <u>1,407,722</u> | <u>-</u> | <u>-</u> | <u>1,407,722</u> |
| Change in Net Assets From Operations | (121,719) | 92,284 | 2,950 | (26,485) |
| Investment Income (Loss) | <u>(78,201)</u> | <u>7,941</u> | <u>-</u> | <u>(70,260)</u> |
| Change in Net Assets | (199,920) | 100,225 | 2,950 | (96,745) |
| Net Assets—Beginning of Year | <u>5,493,316</u> | <u>-</u> | <u>1,036,688</u> | <u>6,530,004</u> |
| Net Assets—End of Year | <u>\$ 5,293,396</u> | <u>\$ 100,225</u> | <u>\$ 1,039,638</u> | <u>\$ 6,433,259</u> |

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statement of Activities
For the Year Ended December 31, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenues and Other Support | | | | |
| Contributions | | | | |
| Gifts and grants | \$ 955,792 | \$ - | \$ 485,438 | \$ 1,441,230 |
| In-kind | 353,137 | - | - | 353,137 |
| Total contributions | <u>1,308,929</u> | <u>-</u> | <u>485,438</u> | <u>1,794,367</u> |
| Special event revenue | 156,795 | - | - | 156,795 |
| Less direct expenses | <u>(42,271)</u> | <u>-</u> | <u>-</u> | <u>(42,271)</u> |
| Net special event revenue | <u>114,524</u> | <u>-</u> | <u>-</u> | <u>114,524</u> |
| Other income | 2,799 | - | - | 2,799 |
| Loss on disposal of equipment | (2,631) | - | - | (2,631) |
| Net assets released from restrictions | <u>22,106</u> | <u>(22,106)</u> | <u>-</u> | <u>-</u> |
| Total Revenues and Other Support | <u>1,445,727</u> | <u>(22,106)</u> | <u>485,438</u> | <u>1,909,059</u> |
| Expenses | | | | |
| Program services | 1,164,774 | - | - | 1,164,774 |
| Supporting services | | | | |
| Management and general | 72,044 | - | - | 72,044 |
| Fundraising | 195,350 | - | - | 195,350 |
| Unallocated payments to RMHC Global | <u>40,526</u> | <u>-</u> | <u>-</u> | <u>40,526</u> |
| Total Expenses | <u>1,472,694</u> | <u>-</u> | <u>-</u> | <u>1,472,694</u> |
| Change in Net Assets From Operations | (26,967) | (22,106) | 485,438 | 436,365 |
| Investment Income | <u>45,173</u> | <u>22,106</u> | <u>-</u> | <u>67,279</u> |
| Change in Net Assets | 18,206 | - | 485,438 | 503,644 |
| Net Assets—Beginning of Year | <u>5,475,110</u> | <u>-</u> | <u>551,250</u> | <u>6,026,360</u> |
| Net Assets—End of Year | <u>\$ 5,493,316</u> | <u>\$ -</u> | <u>\$ 1,036,688</u> | <u>\$ 6,530,004</u> |

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended December 31, 2015

| | Program Services | Supporting Services | | Total Supporting Services | Total |
|-------------------------------------|---------------------|------------------------------|-------------------|---------------------------------|---------------------|
| | | Management and General | Fundraising | | |
| Personnel Costs | | | | | |
| Salaries | \$ 329,792 | \$ 35,081 | \$ 111,701 | \$ 146,782 | \$ 476,574 |
| Fringe benefits and taxes | 63,190 | 5,972 | 21,715 | 27,687 | 90,877 |
| | <u>392,982</u> | <u>41,053</u> | <u>133,416</u> | <u>174,469</u> | <u>567,451</u> |
| Non-Personnel Costs | | | | | |
| Audit and professional fees | - | 18,516 | 7,933 | 26,449 | 26,449 |
| Bank charges | 3,086 | - | - | - | 3,086 |
| Fundraising—Direct mail/fees | 3,350 | - | 10,050 | 10,050 | 13,400 |
| Depreciation | 150,873 | - | - | - | 150,873 |
| Equipment leasing | 6,468 | - | - | - | 6,468 |
| Family services | 4,320 | - | - | - | 4,320 |
| House maintenance | 60,490 | - | - | - | 60,490 |
| House supplies | 33,440 | - | - | - | 33,440 |
| In-kind supplies | 307,462 | - | - | - | 307,462 |
| Insurance | 28,805 | 9,602 | - | 9,602 | 38,407 |
| Office supplies | 3,817 | 1,636 | - | 1,636 | 5,453 |
| Other expense | 12,911 | - | - | - | 12,911 |
| Postage | 3,865 | 1,657 | - | 1,657 | 5,522 |
| Printing | 8,274 | 3,546 | - | 3,546 | 11,820 |
| Promotions and entertainment | 5,339 | - | 2,288 | 2,288 | 7,627 |
| Technology | 13,629 | 757 | 757 | 1,514 | 15,143 |
| Training | 4,715 | - | - | - | 4,715 |
| Travel | 8,340 | - | - | - | 8,340 |
| Utilities | 85,251 | - | - | - | 85,251 |
| | <u>744,435</u> | <u>35,714</u> | <u>21,028</u> | <u>56,742</u> | <u>801,177</u> |
| | <u>\$ 1,137,417</u> | <u>\$ 76,767</u> | <u>\$ 154,444</u> | <u>\$ 231,211</u> | <u>1,368,628</u> |
| Unallocated payments to RMHC Global | | | | | 39,094 |
| Total Expenses | | | | | <u>\$ 1,407,722</u> |

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended December 31, 2014

| | Program Services | Supporting Services | | Total Supporting Services | Total |
|-------------------------------------|---------------------|------------------------------|-------------------|---------------------------------|---------------------|
| | | Management and General | Fundraising | | |
| Personnel Costs | | | | | |
| Salaries | \$ 304,652 | \$ 23,974 | \$ 110,773 | \$ 134,747 | \$ 439,399 |
| Fringe benefits and taxes | 58,147 | 4,471 | 21,760 | 26,231 | 84,378 |
| | <u>362,799</u> | <u>28,445</u> | <u>132,533</u> | <u>160,978</u> | <u>523,777</u> |
| Non-Personnel Costs | | | | | |
| Audit and professional fees | 26,622 | 24,008 | 30,319 | 54,327 | 80,949 |
| Bank charges | - | 3,606 | - | 3,606 | 3,606 |
| Fundraising—Direct mail/fees | 9,219 | - | 27,656 | 27,656 | 36,875 |
| Depreciation | 160,361 | - | - | - | 160,361 |
| Equipment leasing | 6,496 | - | - | - | 6,496 |
| Family services | 4,966 | - | - | - | 4,966 |
| House maintenance | 43,223 | - | - | - | 43,223 |
| House supplies | 32,539 | - | - | - | 32,539 |
| In-kind supplies | 352,137 | - | - | - | 352,137 |
| Insurance | 25,228 | 8,409 | - | 8,409 | 33,637 |
| Office supplies | 2,897 | 1,241 | - | 1,241 | 4,138 |
| Other expense | 2,213 | - | - | - | 2,213 |
| Postage | 4,720 | 2,023 | - | 2,023 | 6,743 |
| Printing | 7,778 | 3,334 | - | 3,334 | 11,112 |
| Promotions and entertainment | 9,016 | - | 3,864 | 3,864 | 12,880 |
| Technology | 17,600 | 978 | 978 | 1,956 | 19,556 |
| Training | 9,946 | - | - | - | 9,946 |
| Travel | 12,626 | - | - | - | 12,626 |
| Utilities | 74,388 | - | - | - | 74,388 |
| | <u>801,975</u> | <u>43,599</u> | <u>62,817</u> | <u>106,416</u> | <u>908,391</u> |
| | <u>\$ 1,164,774</u> | <u>\$ 72,044</u> | <u>\$ 195,350</u> | <u>\$ 267,394</u> | <u>1,432,168</u> |
| Unallocated payments to RMHC Global | | | | | 40,526 |
| Total Expenses | | | | | <u>\$ 1,472,694</u> |

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (96,745) | \$ 503,644 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities— | | |
| Depreciation | 150,873 | 160,361 |
| Loss on disposal of equipment | 1,420 | 2,631 |
| Unrealized/realized (gains) losses on investments | 114,630 | (16,467) |
| Non cash contributions of equipment | (14,138) | (1,000) |
| Contributions restricted for long-term purposes | (159,570) | (485,438) |
| Changes in— | | |
| Prepaid expenses | 14,428 | (8,909) |
| Accounts payable | (1,876) | (1,156) |
| Accrued payroll | 18,875 | 2,927 |
| Net Cash Provided by Operating Activities | <u>27,897</u> | <u>156,593</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sales of investments | 479,750 | 813,086 |
| Purchases and reinvested income of investments | (581,885) | (1,211,281) |
| Purchases of property and equipment | (15,012) | (26,196) |
| Net Cash Used by Investing Activities | <u>(117,147)</u> | <u>(424,391)</u> |
| Cash Flows from Financing Activities | | |
| Collection of contributions restricted for long-term purposes | | |
| Investment in endowment | 45,205 | 184,249 |
| Temporarily time-restricted | 54,279 | - |
| Net Cash Provided by Financing Activities | <u>99,484</u> | <u>184,249</u> |
| Increase (Decrease) in Cash | 10,234 | (83,549) |
| Cash—Beginning of Year | <u>747,329</u> | <u>830,878</u> |
| Cash—End of Year | <u>\$ 757,563</u> | <u>\$ 747,329</u> |

The accompanying notes are an integral part of these financial statements.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2015 and 2014

Note 1—Summary of Significant Accounting Policies

Organization and Program Activities

The Ronald McDonald House Charities of Northwest Florida, Inc., (House) is a Florida “not-for-profit” corporation, incorporated in 1981 under the name Gulf Coast Children’s Medical Foundation, Inc. There is no paid-in capital or shareholders and the daily affairs are governed by the Board of Directors. The primary purpose is providing a home-away-from-home for parents of children who are suffering from a medical crisis at a local medical facility.

Financial Statement Presentation

The House is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are classified based on externally imposed restrictions, if any, that may or may not be met by actions of management or by the passage of time.

Contributions

Contributions are recognized when donors make promises to give that are, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted revenues, depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as an increase 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 purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from restrictions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Fair Value of Financial Instruments

The Organization’s financial instruments consist primarily of cash, promises to give, investment securities, and accounts payable. The carrying amount of cash and accounts payable approximate their fair value due to the short-term nature of such instruments. Promises to give are reported at fair value using the present value technique. The fair values of investment securities are based on quoted market prices.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2015 and 2014

Note 1—Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost or, if donated, at fair market value on date of gift. The House capitalizes all asset acquisitions over \$1,000. Depreciation is provided for on the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|----------------------------|------------|
| Buildings and improvements | 7–40 years |
| Furniture and fixtures | 3–10 years |
| Equipment | 3–7 years |

Donated Materials and Services

Donated goods are recorded in the financial statements at their estimated fair value on the date of the gift. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the House. Numerous volunteers have donated significant amounts of time to the House's fundraising and program services. Although no amounts have been reflected in the financial statements, management estimates the fair market value of those services to be approximately \$259,350 and \$207,679 for the years ended December 31, 2015 and 2014, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

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

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2015 and 2014

Note 1—Summary of Significant Accounting Policies (continued)

Income Taxes

The House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recognized. The House annually files federal information returns (Form 990), which are subject to possible examination by the taxing authorities until the expiration of the related statute of limitations, which is generally three years.

Management believes it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no returns are currently under examination.

Cash Equivalents

The House considers all liquid investment instruments with original maturities of three months or less as cash equivalents.

Events Occurring After Reporting Date

The House has evaluated events and transactions that occurred between December 31, 2015, and April 28, 2016, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications

Certain amounts for 2014 have been reclassified to conform to the current year presentation.

Note 2—Concentration of Credit Risk

The House maintains its cash at three separate financial institutions. Cash accounts at each bank are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per financial institution. At December 31, 2015, the House had cash balances held by financial institutions in excess of insured limits of \$78,860.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2015 and 2014

Note 3—Promises to Give

Unconditional promises to give at December 31, 2015, are as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|------------------|------------------|
| Receivable in less than one year | \$ 99,759 | \$ 15,751 |
| Receivable in one to five years | <u>278,883</u> | <u>300,000</u> |
| Total unconditional promises to give | 378,642 | 315,751 |
| Less unamortized discounts | <u>(17,367)</u> | <u>(14,562)</u> |
| Net unconditional promises to give | 361,275 | 301,189 |
| Less discounted long-term portion | <u>(264,224)</u> | <u>(286,916)</u> |
| Current promises to give | <u>\$ 97,051</u> | <u>\$ 14,273</u> |

Long-term promises to give are recognized at fair value, using present value techniques and discount rates that ranged from 1.5% to 2.0%.

Note 4—Investments

Investments are carried at fair value as determined by quoted market prices. Realized and unrealized gains and losses are reflected in the statements of activities.

The House's investments at December 31, 2015, consist of the following:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain (Loss)</u> |
|--------------------------------------|--------------------|--------------------|-------------------------------|
| Common stock and equity mutual funds | \$ 787,107 | \$ 762,928 | \$ (24,179) |
| Bond and fixed income mutual funds | 503,809 | 513,164 | 9,355 |
| Alternative asset mutual funds | <u>468,680</u> | <u>406,497</u> | <u>(62,183)</u> |
| Total investments | <u>\$1,759,596</u> | <u>\$1,682,589</u> | <u>\$ (77,007)</u> |

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2015 and 2014

Note 4—Investments (continued)

Investment return for the year ended December 31, 2015, is summarized as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|--------------------|
| Dividends and interest | \$ 42,757 | \$ 14,106 | \$ 56,863 |
| Realized gain (losses) on investments | 23,131 | (4,354) | 18,777 |
| Net unrealized loss on investments | (133,407) | - | (133,407) |
| Investment fees | <u>(10,682)</u> | <u>(1,811)</u> | <u>(12,493)</u> |
| Total return on investments | <u>\$ (78,201)</u> | <u>\$ 7,941</u> | <u>\$ (70,260)</u> |

The House's investments at December 31, 2014, consist of the following:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain (Loss)</u> |
|--------------------------------------|--------------------|-----------------------|-----------------------------------|
| Common stock and equity mutual funds | \$ 742,071 | \$ 796,830 | \$ 54,759 |
| Bond and fixed income mutual funds | 621,812 | 670,438 | 48,626 |
| Alternative asset mutual funds | <u>274,802</u> | <u>227,816</u> | <u>(46,986)</u> |
| Total investments | <u>\$1,638,685</u> | <u>\$1,695,084</u> | <u>\$ 56,399</u> |

Investment return for the year ended December 31, 2014, is summarized as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------------|------------------|
| Dividends and interest | \$ 40,855 | \$ 20,905 | \$ 61,760 |
| Realized gain on investments | 9,607 | 4,897 | 14,504 |
| Net unrealized gain on investments | 1,963 | - | 1,963 |
| Investment fees | <u>(7,252)</u> | <u>(3,696)</u> | <u>(10,948)</u> |
| Total return on investments | <u>\$ 45,173</u> | <u>\$ 22,106</u> | <u>\$ 67,279</u> |

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2015 and 2014

Note 5—Property and Equipment

Property and equipment consists of the following as of December 31, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 767,725 | \$ 767,725 |
| Building and improvements | 3,299,734 | 3,292,579 |
| Furniture and fixtures | 286,608 | 269,397 |
| Equipment | <u>140,985</u> | <u>137,621</u> |
| | 4,495,052 | 4,467,322 |
| Less accumulated depreciation | <u>(836,525)</u> | <u>(685,652)</u> |
| | <u>\$ 3,658,527</u> | <u>\$ 3,781,670</u> |

Depreciation expense for the years ended December 31, 2015 and 2014, was \$150,873 and \$160,361, respectively.

Management of the House reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair market value of the assets. As of December 31, 2015, none of the House's long-lived assets were considered to be materially impaired.

Note 6—Leases

The House entered into an operating lease in 2013 for copier equipment at \$539 per month for 39 months. Rent expense for the years ended December 31, 2015 and 2014, was \$6,468 and \$6,496, respectively. Future minimum lease payments under this lease as of December 31, 2015, are as follows:

| | |
|------|-----------------|
| 2016 | 6,468 |
| 2017 | <u>539</u> |
| | <u>\$ 7,007</u> |

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Note 7—Beneficial Interest in Assets Held by Others

The House has been named as beneficiary of two irrevocable charitable remainder trusts. Both trusts are administered by independent trustees who have the discretion over who receives distributions under the split-interest agreements but have no powers to change the beneficiaries. Accordingly, the agreements will not be recorded in the financial statements until the House has an unconditional right to receive distributions or other benefits under the agreements. The fair values of interests as of December 31, 2015, were \$301,681.

Note 8—Temporarily Restricted Net Assets

Net assets were released from restrictions in incurring costs or expenses specified by donors during the years ended December 31, 2015 and 2014, as follows:

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Purpose/time restriction met for: | | |
| Grants | \$ 15,000 | \$ - |
| Time | <u>18,514</u> | <u>-</u> |
| | <u>\$ 33,514</u> | <u>\$ -</u> |
| Endowment income appropriated for: | | |
| General program expenses | \$ 7,441 | \$ 21,606 |
| Intern and volunteer training expenses | <u>500</u> | <u>500</u> |
| | <u>\$ 7,941</u> | <u>\$ 22,106</u> |

Temporarily restricted net assets at December 31, 2015 and 2014, include the following:

| | <u>2015</u> | <u>2014</u> |
|----------------|-------------------|-------------|
| Future pledges | <u>\$ 100,225</u> | <u>\$ -</u> |

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Note 9—Permanently Restricted Net Assets

The House received a gift in 1993 to create an endowment to be held in perpetuity for the benefit of the Ronald McDonald House. The gift instrument restricts the income to be used for operating expenses of the House.

The House received a \$25,000 gift in 2007 to create an endowment to be held in perpetuity and the income therefrom to fund interns and volunteer training through the Lisa Shawyer Memorial Internship and Volunteer Program.

During 2014, the House received a pledge in the amount of \$500,000 to create a permanent endowment fund. The pledge is to be paid over the five year period ending January 15, 2019. The pledge was recorded at fair market value of \$301,189 using the present value technique (see Note 3). The House received \$45,205 and \$184,249 during 2015 and 2014, respectively, which is held in a separate investment account. The total increase in permanently restricted net assets for the endowment contribution is \$2,950 and \$485,438 for 2015 and 2014, respectively. The income therefrom is to be used for the House's charitable purposes.

The House has adopted investment policies for endowment assets. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The House has adopted spending policies that include appropriating investment income earned on endowment assets, excluding unrealized gains and losses, for expenditure.

The composition and changes in endowment net assets for the years ended December 31, 2015 and 2014, are as follows:

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Permanently Restricted Net Assets: | | |
| Endowment Net Assets—Beginning of Year | \$ 1,036,688 | \$ 551,250 |
| Contributions | 2,950 | 485,438 |
| Investment income, net | 7,941 | 22,106 |
| Amounts appropriated | <u>(7,941)</u> | <u>(22,106)</u> |
| Endowment Net Assets—End of Year | <u>\$ 1,039,638</u> | <u>\$ 1,036,688</u> |

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Note 10—Savings Incentive Match Plan for Employees

The House established a Savings Incentive Plan for Employees (SIMPLE IRA Plan) that covers all employees of the House who have received at least \$5,000 in compensation during the preceding year and are expected to receive at least \$5,000 in compensation during the current year. Employees may elect to make voluntary contributions to the Plan. The House made a 2% matching contribution through October 7, 2014, and 3% thereafter to each eligible participant's SIMPLE IRA. For the years ended December 31, 2015 and 2014, the House contributed \$7,960 and \$4,463, respectively.

Note 11—Fair Value Measurements

Fair values for investment securities are determined by reference to quoted market prices and other relevant information generated by market transactions. Beneficial interests in assets held by others is valued at the House's proportional share of interest at the closing price reported on the active or observable market on which the irrevocable trusts' underlying individual securities are traded as reported to the House by the trustees. Fair values of assets measured on a recurring basis at December 31, 2015, are as follows:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) |
|--------------------------------------|---|
| Investments: | |
| Common stock and equity mutual funds | \$ 762,928 |
| Bond and fixed income mutual funds | 513,164 |
| Alternative asset mutual funds | <u>406,497</u> |
| | <u>\$ 1,682,589</u> |

Fair values of assets measured on a recurring basis at December 31, 2014, are as follows:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) |
|--------------------------------------|---|
| Investments: | |
| Common stock and equity mutual funds | \$ 796,830 |
| Bond and fixed income mutual funds | 670,438 |
| Alternative asset mutual funds | <u>227,816</u> |
| | <u>\$ 1,695,084</u> |

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Note 12—Related Parties

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as “Chapters” within the global organization. The House is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald’s Corporation and Ronald McDonald House Charities, Inc., to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs. The License Agreement also sets standards of operations for programs, governance, finance, branding, and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The House remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2015 and 2014, the House received \$100,296 and \$103,384, respectively from these revenue streams. As of December 31, 2015 and 2014, amounts due to RMHC Global were \$4,336 and \$4,965, respectively. These amounts due to RMHC Global are included in accounts payable on the statements of financial position.