

# Ronald McDonald House Charities of Central Florida, Inc.

Financial Report  
December 31, 2012

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## **Independent Auditor's Report**

To the Board of Directors  
Ronald McDonald House Charities of Central Florida, Inc.  
Orlando, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central Florida, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, 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 Ronald McDonald House Charities of Central Florida, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Orlando, Florida  
April 15, 2013

Ronald McDonald House Charities of Central Florida, Inc.

Statements of Financial Position  
December 31, 2012 and 2011

	2012	2011
<b>Assets</b>		
Cash	\$ 1,501,953	\$ 1,801,566
Pledges receivable, net (Note 2)	98,831	90,228
Investments (Notes 3 and 4)	281,576	319,481
Property and equipment, net (Note 5)	5,794,593	5,688,377
Beneficial interest in assets held by others (Notes 4 and 6)	14,466	12,888
Other assets	3,197	3,197
<b>Total assets</b>	<b>\$ 7,694,616</b>	<b>\$ 7,915,737</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 21,291	\$ 11,658
<b>Total liabilities</b>	<b>21,291</b>	<b>11,658</b>
Net Assets		
Unrestricted:		
Undesignated	1,765,435	2,017,284
Designated for property and equipment	5,794,593	5,688,377
Designated for the J. Darrell Kelley Endowment Fund	14,466	12,888
<b>Total unrestricted net assets</b>	<b>7,574,494</b>	<b>7,718,549</b>
Temporarily restricted (Note 7):		
Passage of time	98,831	90,228
Renovations	-	95,302
<b>Total temporarily restricted net assets</b>	<b>98,831</b>	<b>185,530</b>
<b>Total net assets</b>	<b>7,673,325</b>	<b>7,904,079</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,694,616</b>	<b>\$ 7,915,737</b>

See Notes to Financial Statements.

Ronald McDonald House Charities of Central Florida, Inc.

Statements of Activities  
Years Ended December 31, 2012 and 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
Operating support and revenues:			
Contributions	\$ 1,291,975	\$ 272,846	\$ 1,564,821
Special events	547,445	7,043	554,488
Program revenues	107,526	-	107,526
Unrealized gains	19,758	-	19,758
Interest and dividends	16,909	-	16,909
Net assets released from restrictions:			
Restrictions satisfied due to passage of time	55,708	(55,708)	-
Restrictions satisfied by use in house renovations	95,302	(95,302)	-
Restrictions satisfied by use in house operations	215,578	(215,578)	-
<b>Total operating support and revenues</b>	<b>2,350,201</b>	<b>(86,699)</b>	<b>2,263,502</b>
Expenses:			
Program services:			
House operations	1,789,553	-	1,789,553
Fundraising:			
General fundraising	462,996	-	462,996
Capital campaign	58,269	-	58,269
Supporting services:			
General and administrative	100,516	-	100,516
Contributions to Ronald McDonald House Charities, Inc.	82,922	-	82,922
<b>Total expenses</b>	<b>2,494,256</b>	<b>-</b>	<b>2,494,256</b>
<b>Decrease in net assets</b>	<b>(144,055)</b>	<b>(86,699)</b>	<b>(230,754)</b>
Net assets:			
Beginning	7,718,549	185,530	7,904,079
Ending	<u>\$ 7,574,494</u>	<u>\$ 98,831</u>	<u>\$ 7,673,325</u>

(Continued)

Ronald McDonald House Charities of Central Florida, Inc.

Statements of Activities (Continued)  
Years Ended December 31, 2012 and 2011

	2011		
	Unrestricted	Temporarily Restricted	Total
Operating support and revenues:			
Contributions	\$ 1,142,594	\$ 397,806	\$ 1,540,400
Special events	494,109	13,484	507,593
Program revenues	120,002	-	120,002
Unrealized losses	(7,021)	-	(7,021)
Interest and dividends	22,069	-	22,069
Net assets released from restrictions:			
Restrictions satisfied due to passage of time	11,527	(11,527)	-
Restrictions satisfied by use in house operations	275,455	(275,455)	-
<b>Total operating support and revenues</b>	<b>2,058,735</b>	<b>124,308</b>	<b>2,183,043</b>
Expenses:			
Program services:			
House operations	1,595,141	-	1,595,141
Fundraising:			
General fundraising	414,754	-	414,754
Supporting services:			
General and administrative	91,732	-	91,732
Contributions to Ronald McDonald House Charities, Inc.	73,280	-	73,280
<b>Total expenses</b>	<b>2,174,907</b>	<b>-</b>	<b>2,174,907</b>
<b>(Decrease) increase in net assets</b>	<b>(116,172)</b>	<b>124,308</b>	<b>8,136</b>
Net assets:			
Beginning	7,834,721	61,222	7,895,943
Ending	<b>\$ 7,718,549</b>	<b>\$ 185,530</b>	<b>\$ 7,904,079</b>

See Notes to Financial Statements.

Ronald McDonald House Charities of Central Florida, Inc.

Statements of Functional Expenses  
Years Ended December 31, 2012 and 2011

	2012				Total Expenses 2012
	Program Services	Fundraising		Supporting Services	
	House Operations	General Fundraising	Capital Campaign	General and Administrative	
Salaries, wages and payroll taxes	\$ 609,581	\$ 155,017	\$ -	\$ 53,430	\$ 818,028
House supplies	407,923	-	-	-	407,923
Depreciation	305,694	-	-	-	305,694
Repairs and maintenance	160,926	-	-	-	160,926
Special events	-	100,383	-	-	100,383
Professional fees and contract services	14,994	7,153	58,253	17,023	97,423
Utilities	95,728	-	-	-	95,728
Canister maintenance	-	70,052	-	-	70,052
Office space	44,813	14,724	-	4,481	64,018
Printing and publishing	8,909	35,029	16	-	43,954
Insurance	36,497	-	-	-	36,497
Uncollectible pledges	-	28,314	-	-	28,314
Linens and laundry	26,420	-	-	-	26,420
Telephone	21,017	-	-	1,106	22,123
Cleaning service and supplies	19,692	-	-	-	19,692
Public relations	2,413	16,254	-	-	18,667
Bank charges and credit card fees	-	-	-	17,620	17,620
Postage	2,310	14,091	-	-	16,401
Miscellaneous	3,978	8,854	-	-	12,832
Donor recognition and communications	-	11,746	-	-	11,746
Volunteers	11,324	-	-	-	11,324
Auto expense	5,861	-	-	-	5,861
Travel	1,379	1,379	-	1,379	4,137
Meetings, trainings and seminars	2,635	-	-	1,129	3,764
House programs	3,565	-	-	-	3,565
Dues and subscriptions	3,154	-	-	-	3,154
Marketing supplies	-	-	-	2,714	2,714
Taxes and licenses	-	-	-	1,634	1,634
Other house and room management	740	-	-	-	740
	<u>\$ 1,789,553</u>	<u>\$ 462,996</u>	<u>\$ 58,269</u>	<u>\$ 100,516</u>	<u>2,411,334</u>
Contributions to Ronald McDonald House Charities, Inc.					<u>82,922</u>
					<u>\$ 2,494,256</u>

(Continued)



Ronald McDonald House Charities of Central Florida, Inc.

Statements of Functional Expenses (Continued)  
Years Ended December 31, 2012 and 2011

	2011			
	Program Services	Fundraising	Supporting Services	Total
	House Operations	General Fundraising	General and Administrative	Expenses 2011
Salaries, wages and payroll taxes	\$ 556,373	\$ 165,185	\$ 39,836	\$ 761,394
House supplies	338,487	-	-	338,487
Depreciation	277,353	-	-	277,353
Repairs and maintenance	122,079	-	-	122,079
Special events	-	115,809	-	115,809
Utilities	91,675	-	4,825	96,500
Office space	46,700	15,344	4,670	66,714
Canister maintenance	1,374	56,792	-	58,166
Professional fees and contract services	13,789	7,226	16,827	37,842
Printing and publishing	4,601	24,514	1,352	30,467
Insurance	29,302	-	-	29,302
Linens and laundry	24,486	-	-	24,486
Telephone	22,200	-	1,168	23,368
Public relations	14,301	7,396	-	21,697
Cleaning service and supplies	16,731	-	-	16,731
Bank charges and credit card fees	-	-	14,719	14,719
Postage	1,670	10,369	-	12,039
Volunteers	11,339	-	-	11,339
Miscellaneous	5,314	4,968	-	10,282
Auto expense	5,858	-	-	5,858
Meetings, trainings and seminars	4,046	-	1,734	5,780
Travel	2,376	1,698	1,698	5,772
Donor recognition and communications	-	5,438	-	5,438
Marketing supplies	-	-	3,389	3,389
Other house and room management	1,956	-	-	1,956
Dues and subscriptions	1,642	-	-	1,642
Taxes and licenses	-	-	1,514	1,514
House programs	1,489	-	-	1,489
Uncollectible pledges	-	15	-	15
	<u>\$ 1,595,141</u>	<u>\$ 414,754</u>	<u>\$ 91,732</u>	<u>2,101,627</u>
Contributions to Ronald McDonald House Charities, Inc.				73,280
				<u>\$ 2,174,907</u>

See Notes to Financial Statements.

**Ronald McDonald House Charities of Central Florida, Inc.**

**Statements of Cash Flows**  
**Years Ended December 31, 2012 and 2011**

	2012	2011
<b>Cash Flows From Operating Activities</b>		
(Decrease) increase in net assets	\$ (230,754)	\$ 8,136
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	305,694	277,353
Unrealized (gains) losses on investments	(18,355)	6,250
Unrealized (gains) losses on beneficial interest in assets held by others	(1,403)	771
Donated property and equipment	(189,538)	(41,109)
Contribution - reduction of cash advance (Note 8)	-	(56,231)
Provision for uncollectible pledges	28,314	15
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(36,917)	(29,021)
Beneficial interest in assets held by others	(175)	(287)
Other assets	-	2,200
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	9,633	(10,428)
<b>Net cash (used in) provided by operating activities</b>	<b>(133,501)</b>	<b>157,649</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(11,289)	(11,693)
Sales of investments	67,549	675,175
Purchases of property and equipment	(222,372)	-
<b>Net cash (used in) provided by investing activities</b>	<b>(166,112)</b>	<b>663,482</b>
<b>Cash Flows From Financing Activities</b>		
Repayment of cash advance	-	(112,461)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(112,461)</b>
<b>Net (decrease) increase in cash</b>	<b>(299,613)</b>	<b>708,670</b>
<b>Cash:</b>		
Beginning	1,801,566	1,092,896
Ending	<b>\$ 1,501,953</b>	<b>\$ 1,801,566</b>

See Notes to Financial Statements.

## Ronald McDonald House Charities of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies

**Nature of organization:** The Ronald McDonald House Charities of Central Florida, Inc. (the "Organization" or "Ronald McDonald House") was incorporated on September 16, 1993 and is a not-for-profit corporation established to create, find and support programs that directly improve the health and well-being of children and families.

**House operations:** Ronald McDonald House is the Organization's cornerstone program. The two facilities (the "Houses"), with 59 bedrooms combined, provide temporary lodging to families of seriously ill children being treated at Walt Disney Pavilion at Florida Hospital for Children, Florida Hospital Cancer Institute, Arnold Palmer Hospital for Children, Winnie Palmer Hospital for Women & Babies, Nemours Children's Clinic, Nemours Children's Hospital, and other area medical facilities. In 2012, the Houses welcomed 1,725 families, representing 17 countries outside the United States, 33 states, and 50 Florida counties. In 2011, the Houses welcomed 1,639 families, representing 19 countries outside the United States, 35 states, and 49 Florida counties.

A summary of the Organization's significant accounting policies follows:

**Accounting principles:** A not-for-profit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be permanently maintained by the Organization. The Organization has no permanently restricted net assets.

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of operating support and revenues, and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Organization considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Organization currently has no cash equivalents.

## Ronald McDonald House Charities of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Pledges receivable:** Promises to give are recognized as revenue in the period received at fair value if they are unconditional promises. Conditional promises are recorded as revenue when the conditions are met. The Organization provides an allowance for uncollectible pledges when necessary. The allowance for uncollectible pledges of \$15,000 and \$0 as of December 31, 2012 and 2011, respectively, reflects management's best estimate of future uncollectible pledges.

Unconditional promises to give that are expected to be collected within one year are recorded 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 future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue in the accompanying statements of activities.

**Investments and investment income:** Investments in certificates of deposit are carried at amortized cost and mutual funds are reported at fair value (see Note 4). Realized gains and losses are recorded at date of disposition based on the difference between the net proceeds and the cost of the investments sold, using the specific identification method. Unrealized gains and losses are reported for the changes in fair value between reporting periods. Interest and dividends income is recognized when earned. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

**Property and equipment:** Purchased or constructed assets are capitalized at cost. Interest costs incurred during a period of construction are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Improvements and betterments are capitalized while repair and maintenance expenditures are expensed.

Depreciation is recorded using the straight-line method of accounting over the estimated useful lives of the related assets, which ranges from 3 to 39 years.

**Impairment of long-lived assets:** The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. 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 value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of long-lived assets has been recognized during the years ended December 31, 2012 and 2011.

**Beneficial interest in assets held by others:** In accordance with guidance related to accounting for contributions held by an organization for the benefit of another organization which states that organizations that transfer assets to other not-for-profit agencies who specify themselves or their affiliates as the beneficiaries, and has not granted variance power, are not considered expenses and are recorded as a beneficial interest in assets held by others in the statements of financial position at fair value.

## Ronald McDonald House Charities of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Revenue recognition:** Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised, whichever is earlier, at fair value. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net assets class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the accompanying statements of activities.

Program revenues, which primarily consist of room donations, are recognized when services are provided to families. Families without the ability to contribute to the program are never turned away and their stay is underwritten by the Organization's donors.

**Special events:** Revenue from special events is recognized as unrestricted revenue unless the event is held to benefit a specific purpose. Expenses related to these special events are reported as fundraising expenses.

**Contributed services and materials:** Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services: (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. Contributed materials are recorded at their fair value at the date of the gift.

During the years ended December 31, 2012 and 2011, the Organization recorded contributed services and materials revenue of \$579,507 and \$355,030, respectively. These amounts are shown as revenue in the accompanying statements of activities as a component of unrestricted contributions. Of these amounts, \$189,538 and \$41,109 were capitalized as part of property and equipment during the years ended December 31, 2012 and 2011, respectively. The remaining portion was expensed to house operations in each year, of which \$8,814 and \$7,925 represented contributed services during the years ended December 31, 2012 and 2011, respectively.

**Functional expenses:** The cost of providing the program and supporting services have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Income taxes:** The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

The Organization follows accounting standards relating to accounting for uncertainty in income taxes for the year ended December 31, 2012. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before December 31, 2009.

**Ronald McDonald House Charities of Central Florida, Inc.**

**Notes to Financial Statements**

**Note 1. Nature of Organization and Significant Accounting Policies (Continued)**

**Subsequent events:** Management has assessed subsequent events through April 15, 2013, which is the date these financial statements were available to be issued.

**Note 2. Pledges Receivable**

Pledges receivable include the following unconditional promises to give at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Amounts due in:		
Less than one year	\$ 84,600	\$ 60,997
One to five years	30,000	30,000
	<u>114,600</u>	<u>90,997</u>
Less allowance for uncollectible pledges	(15,000)	-
Less unamortized discount	(769)	(769)
	<u>\$ 98,831</u>	<u>\$ 90,228</u>

**Note 3. Investments**

Investments consist of the following at December 31, 2012 and 2011:

<u>Description</u>	<u>2012</u>		
	<u>Cost</u>	<u>Net Unrealized Gain</u>	<u>Fair Value</u>
Mutual funds:			
Brandywine Fund	\$ 4,565	\$ 845	\$ 5,410
Vanguard LifeStrategy Moderate Growth Fund	242,765	33,401	276,166
	<u>\$ 247,330</u>	<u>\$ 34,246</u>	<u>\$ 281,576</u>
<u>Description</u>	<u>2011</u>		
	<u>Cost</u>	<u>Net Unrealized Gain</u>	<u>Fair Value</u>
Certificates of deposit	\$ 67,245	\$ -	\$ 67,245
Mutual funds:			
Brandywine Fund	4,565	575	5,140
Vanguard LifeStrategy Moderate Growth Fund	231,780	15,316	247,096
	<u>\$ 303,590</u>	<u>\$ 15,891</u>	<u>\$ 319,481</u>

Interest and dividends totaled \$16,909 and \$22,069 during the years ended December 31, 2012 and 2011, respectively.

## Ronald McDonald House Charities of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 3. Investments (Continued)

The Organization invests in various investment securities in accordance with its investment policy. These investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the uncertainty related to changes in their values, it is reasonable to expect that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balance.

#### Note 4. Fair Value Measurements

The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Investments and the beneficial interest in assets held by others recorded at fair value in the accompanying statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by this guidance, are as follows:

<b>Level Input</b>	<b>Input Definition</b>
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Fair value of actively traded debt and equity securities are based on quoted market prices. Fair value of inactively traded debt securities are based on quoted market prices of identical or similar securities or based on observable inputs like interest rates using either a market or income valuation approach and are generally classified as Level 2.

The fair value of the Organization's beneficial interest in assets held by others at the Community Foundation of Central Florida, Inc. (the "Foundation") is determined based on the Organization's allocated share of the Foundation's investment pool. Information is provided to the Organization by Foundation management in the form of semiannual investment reports and through the Foundation's annual audit. The beneficial interest in assets held by others at the Foundation primarily consist of Level 1 and Level 2 securities.

**Ronald McDonald House Charities of Central Florida, Inc.**

**Notes to Financial Statements**

**Note 4. Fair Value Measurements (Continued)**

The following table summarizes fair value measurements by level at December 31, 2012 and 2011 for financial assets and liabilities measured at fair value on a recurring basis:

	<b>2012</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Total</b>
Mutual funds:				
Brandywine Fund	\$ 5,410	\$ -	\$ -	\$ 5,410
Vanguard LifeStrategy Moderate Growth Fund	276,166	-	-	276,166
Beneficial interest in assets held by others	-	-	14,466	14,466
	<b>\$ 281,576</b>	<b>\$ -</b>	<b>\$ 14,466</b>	<b>\$ 296,042</b>

  

	<b>2011</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Total</b>
Mutual funds:				
Brandywine Fund	\$ 5,140	\$ -	\$ -	\$ 5,140
Vanguard LifeStrategy Moderate Growth Fund	247,096	-	-	247,096
Beneficial interest in assets held by others	-	-	12,888	12,888
	<b>\$ 252,236</b>	<b>\$ -</b>	<b>\$ 12,888</b>	<b>\$ 265,124</b>

The table below sets forth a summary of the changes in the fair value of the Organization's Level 3 financial assets during the years ended December 31, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
	<b>Beneficial Interest in Assets Held by Others</b>	<b>Beneficial Interest in Assets Held by Others</b>
Balance, beginning of year	\$ 12,888	\$ 13,372
Unrealized gains (losses)	1,403	(771)
Purchases	175	287
Balance, end of year	<b>\$ 14,466</b>	<b>\$ 12,888</b>



## Ronald McDonald House Charities of Central Florida, Inc.

### Notes to Financial Statements

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#### Note 5. Property and Equipment

Property and equipment at December 31, 2012 and 2011 are summarized as follows:

	<b>2012</b>	2011
Land	<b>\$ 394,013</b>	\$ 394,013
Buildings and improvements	<b>6,953,443</b>	6,817,294
Equipment	<b>584,123</b>	594,333
Furniture	<b>421,893</b>	361,062
	<b>8,353,472</b>	8,166,702
Less accumulated depreciation	<b>(2,558,879)</b>	(2,478,325)
	<b>\$ 5,794,593</b>	\$ 5,688,377

During the years ended December 31, 2012 and 2011, depreciation expense was \$305,694 and \$277,353, respectively.

#### Note 6. Beneficial Interest in Assets Held by Others

During 2004, the Organization transferred assets in the amount of \$10,000 to the Community Foundation of Central Florida, Inc. (the "Foundation") to establish the J. Darrell Kelley – Ronald McDonald House Charities of Central Florida Endowment Fund, a permanent Agency Endowment Fund. As part of the transfer, the Foundation was granted no power to redirect the use of the assets to another beneficiary. On an annual basis, the Foundation distributes net income from this fund to the Organization as determined by the Foundation's spending policy. At December 31, 2012 and 2011, the endowment fund has a fair value of \$14,466 and \$12,888, respectively, which is included in the accompanying statements of financial position as beneficial interest in assets held by others.

#### Note 7. Temporarily Restricted Net Assets

Pledges receivable are included in temporarily restricted net assets until the stipulated time restriction ends and the funds are collected, at which time, they are released and reclassified to unrestricted net assets in the accompanying statements of activities.

During 2011, the Organization received an unconditional grant for \$95,302 to support refurbishing costs for the Ronald McDonald House on the Campus of the Arnold Palmer Medical Center. At December 31, 2011, this grant is included in temporarily restricted net assets until the funds have been used for the specific purposes. In 2012, the Organization used the funds for its specific purposes and was released and reclassified to unrestricted net assets in the accompanying statements of activities.

**Ronald McDonald House Charities of Central Florida, Inc.**

**Notes to Financial Statements**

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**Note 8. Cash Advance**

Ronald McDonald House Charities, Inc. provided the Organization with a noninterest bearing cash advance amounting to \$168,692 to cover a portion of the installation costs for one drive-thru donation box in each of the participating McDonald's restaurants in Central Florida. In December 2011, the Organization was notified by Ronald McDonald House Charities, Inc. that the cash advance was being revised from \$168,692 to \$112,461. In December 2011, the Organization paid Ronald McDonald House Charities, Inc. \$112,461 and the remaining balance of \$56,231 was recognized as a contribution and is included in contributions revenue in the accompanying statements of activities.

**Note 9. Commitment**

The Organization leases office space under a noncancelable operating lease agreement expiring in December 2013. Commitments for minimum future rentals, by year and in the aggregate, to be paid under this operating lease are as follows:

Year Ending December 31,	Amount
2013	<u>\$ 45,619</u>

**Note 10. Retirement Plan**

The Organization maintains a defined contribution retirement plan under section 403(b) of the Internal Revenue Code. Employees may make voluntary contributions up to federal limits. The Organization is entitled to make discretionary matching contributions to be determined by the board of directors annually. Employer contributions immediately vest at 100%. Employer contributions were approximately \$20,300 and \$19,900 for the years ended December 31, 2012 and 2011, respectively.