

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

Financial Report  
December 31, 2015

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## Independent Auditor's Report

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

### 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, 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, (collectively, 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 from 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, 2015 and 2014, 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.

*RSM US LLP*

Orlando, Florida  
April 26, 2016

Ronald McDonald House Charities of Central Florida, Inc.

Statements of Financial Position  
December 31, 2015 and 2014

	2015	2014
<b>Assets</b>		
Cash	\$ 1,675,133	\$ 1,647,715
Pledges receivable, net (Note 2)	1,800,504	1,654,352
Investments (Notes 3 and 4)	361,376	363,144
Cash restricted for investment in property and equipment	593,172	1,892,728
Property and equipment, net (Note 5)	9,003,435	5,771,407
Promised use of contributed land (Note 6)	539,899	561,283
Beneficial interest in assets held by others (Notes 4 and 7)	16,018	16,655
Other assets	3,197	3,197
<b>Total assets</b>	<b>\$ 13,992,734</b>	<b>\$ 11,910,481</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 507,711	\$ 27,200
<b>Total liabilities</b>	<b>507,711</b>	<b>27,200</b>
Commitments (Note 9)		
Net Assets		
Unrestricted:		
Undesignated	1,531,995	1,986,856
Designated for property and equipment	9,003,435	5,771,407
Designated for the J. Darrell Kelley Endowment Fund	16,018	16,655
<b>Total unrestricted net assets</b>	<b>10,551,448</b>	<b>7,774,918</b>
Temporarily restricted (Note 8):		
Passage of time	1,800,504	1,654,352
Capital campaign	593,172	1,892,728
Promised use of contributed land	539,899	561,283
<b>Total temporarily restricted net assets</b>	<b>2,933,575</b>	<b>4,108,363</b>
<b>Total net assets</b>	<b>13,485,023</b>	<b>11,883,281</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,992,734</b>	<b>\$ 11,910,481</b>

See Notes to Financial Statements.

Ronald McDonald House Charities of Central Florida, Inc.

Statements of Activities

Years Ended December 31, 2015 and 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
Operating Support and Revenues			
Contributions	\$ 1,202,720	\$ 2,417,364	\$ 3,620,084
Special events	757,676	4,624	762,300
Program revenues	112,546	-	112,546
Net realized and unrealized losses	(16,475)	-	(16,475)
Interest and dividends	15,985	779	16,764
Net Assets Released From Restrictions	3,597,555	(3,597,555)	-
<b>Total operating support and revenues</b>	<b>5,670,007</b>	<b>(1,174,788)</b>	<b>4,495,219</b>
Expenses			
Program services:			
House operations	2,081,507	-	2,081,507
Fundraising:			
General fundraising	466,389	-	466,389
Capital campaign	139,728	-	139,728
Supporting services:			
General and administrative	116,071	-	116,071
Contributions to Ronald McDonald House Charities, Inc.	89,782	-	89,782
<b>Total expenses</b>	<b>2,893,477</b>	<b>-</b>	<b>2,893,477</b>
<b>Change in net assets</b>	<b>2,776,530</b>	<b>(1,174,788)</b>	<b>1,601,742</b>
Net Assets			
Beginning	7,774,918	4,108,363	11,883,281
Ending	<b>\$ 10,551,448</b>	<b>\$ 2,933,575</b>	<b>\$ 13,485,023</b>

(Continued)

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

**Statements of Activities (Continued)  
Years Ended December 31, 2015 and 2014**

	2014		
	Unrestricted	Temporarily Restricted	Total
<b>Operating Support and Revenues</b>			
Contributions	\$ 1,618,307	\$ 4,193,216	\$ 5,811,523
Special events	733,714	3,242	736,956
Program revenues	108,833	-	108,833
Net realized and unrealized gains	13,030	-	13,030
Interest and dividends	13,601	361	13,962
Net Assets Released From Restrictions	613,586	(613,586)	-
<b>Total operating support and revenues</b>	<b>3,101,071</b>	<b>3,583,233</b>	<b>6,684,304</b>
<b>Expenses</b>			
Program services:			
House operations	2,080,353	-	2,080,353
Fundraising:			
General fundraising	437,222	-	437,222
Capital campaign	177,099	-	177,099
Supporting services:			
General and administrative	97,345	-	97,345
Contributions to Ronald McDonald House Charities, Inc.	84,524	-	84,524
<b>Total expenses</b>	<b>2,876,543</b>	<b>-</b>	<b>2,876,543</b>
<b>Change in net assets</b>	<b>224,528</b>	<b>3,583,233</b>	<b>3,807,761</b>
<b>Net Assets</b>			
Beginning	7,550,390	525,130	8,075,520
Ending	\$ 7,774,918	\$ 4,108,363	\$ 11,883,281

See Notes to Financial Statements.

Ronald McDonald House Charities of Central Florida, Inc.

Statements of Functional Expenses  
Years Ended December 31, 2015 and 2014

	2015				
	Program Services	Fundraising		Supporting Services	Total
	House Operations	General Fundraising	Capital Campaign	General and Administrative	Expenses
Salaries, Wages and Payroll Taxes	\$ 845,450	\$ 130,796	\$ 56,300	\$ 67,273	\$ 1,099,819
House Supplies	438,694	-	-	-	438,694
Depreciation	269,946	-	-	-	269,946
Special Events	-	159,134	919	-	160,053
Professional Fees and Contract Services	20,314	8,612	55,582	18,872	103,380
Rent	78,628	18,540	-	5,642	102,810
Repairs and Maintenance	96,449	-	-	-	96,449
Utilities	89,959	-	-	-	89,959
Canister Maintenance	-	63,072	-	-	63,072
Public Relations	16,669	20,537	15,951	-	53,157
Insurance	51,401	-	-	-	51,401
Printing and Publishing	3,194	33,437	8,002	-	44,633
Cleaning Service and Supplies	33,888	-	-	-	33,888
Linens and Laundry	32,360	-	-	-	32,360
Program Security	25,477	-	-	-	25,477
Miscellaneous	17,535	1,500	587	-	19,622
Postage	4,947	12,458	-	-	17,405
Donor Recognition and Communications	-	13,425	1,781	-	15,206
Telephone	13,999	-	-	737	14,736
Travel	4,878	4,878	-	4,878	14,634
Bank Charges and Credit Card Fees	4,532	-	606	9,080	14,218
Meetings, Trainings and Seminars	8,942	-	-	3,832	12,774
Volunteers	8,838	-	-	-	8,838
Auto Expense	7,916	-	-	-	7,916
Marketing Supplies	-	-	-	4,471	4,471
Other House and Room Management	3,037	-	-	-	3,037
House Programs	2,341	-	-	-	2,341
Dues and Subscriptions	2,113	-	-	-	2,113
Taxes and Licenses	-	-	-	1,286	1,286
	<u>\$ 2,081,507</u>	<u>\$ 466,389</u>	<u>\$ 139,728</u>	<u>\$ 116,071</u>	<u>2,803,695</u>
Contributions to Ronald McDonald House Charities, Inc.					89,782
					<u>\$ 2,893,477</u>

(Continued)

Ronald McDonald House Charities of Central Florida, Inc.

Statements of Functional Expenses (Continued)  
Years Ended December 31, 2015 and 2014

	2014				
	Program Services	Fundraising		Supporting Services	Total Expenses
	House Operations	General Fundraising	Capital Campaign	General and Administrative	
Salaries, Wages and Payroll Taxes	\$ 753,518	\$ 108,580	\$ 78,260	\$ 61,183	\$ 1,001,541
House Supplies	554,393	-	-	-	554,393
Depreciation	299,454	-	-	-	299,454
Special Events	-	121,890	13,005	-	134,895
Repairs and Maintenance	114,645	-	-	-	114,645
Professional Fees and Contract Services	16,701	7,506	69,127	17,406	110,740
Utilities	84,486	-	-	-	84,486
Rent	55,106	16,283	-	4,956	76,345
Canister Maintenance	-	68,367	-	-	68,367
Insurance	54,375	-	-	-	54,375
Printing and Publishing	5,221	29,244	12,771	-	47,236
Cleaning Service and Supplies	29,349	-	-	-	29,349
Program Security	24,070	-	-	-	24,070
Linens and Laundry	23,748	-	-	-	23,748
Public Relations	3,529	14,105	3,317	-	20,951
Bank Charges and Credit Card Fees	-	18,598	619	371	19,588
Uncollectible Pledges	-	19,450	-	-	19,450
Telephone	17,619	-	-	927	18,546
Miscellaneous	1,666	14,681	-	-	16,347
Volunteers	13,018	-	-	-	13,018
Postage	2,008	9,526	-	-	11,534
Travel	3,512	3,512	-	3,512	10,536
Auto Expense	7,177	-	-	-	7,177
House Programs	5,929	-	-	-	5,929
Other House and Room Management	5,869	-	-	-	5,869
Marketing Supplies	-	-	-	5,844	5,844
Donor Recognition and Communications	-	5,480	-	-	5,480
Meetings, Trainings and Seminars	2,892	-	-	1,239	4,131
Dues and Subscriptions	2,068	-	-	-	2,068
Taxes and Licenses	-	-	-	1,907	1,907
	<u>\$ 2,080,353</u>	<u>\$ 437,222</u>	<u>\$ 177,099</u>	<u>\$ 97,345</u>	<u>2,792,019</u>
Contributions to Ronald McDonald House Charities, Inc.					84,524
					<u>\$ 2,876,543</u>

See Notes to Financial Statements.



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

**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 1,601,742	\$ 3,807,761
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	269,946	299,454
Net realized and unrealized losses (gains) on investments	15,760	(13,026)
Unrealized losses (gains) on beneficial interest in assets held by others	715	(4)
Donated property and equipment	(207,615)	(415,322)
Provision for uncollectible pledges	14,000	107,450
Amortization of discount on pledges receivable	(8,115)	25,784
Amortization of discount on promised use of contributed land	(816)	543,167
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(152,037)	(1,560,545)
Promised use of contributed land	22,200	(1,104,450)
Beneficial interest in assets held by others	(78)	(145)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	11,368	281
<b>Net cash provided by operating activities</b>	<b>1,567,070</b>	<b>1,690,405</b>
Cash Flows From Investing Activities		
Net change in cash restricted for investment in property and equipment	1,299,556	(1,594,639)
Purchases of investments	(34,370)	(31,568)
Sales of investments	20,378	18,974
Purchases of property and equipment	(2,825,216)	(27,960)
<b>Net cash used in investing activities</b>	<b>(1,539,652)</b>	<b>(1,635,193)</b>
<b>Net increase in cash</b>	<b>27,418</b>	<b>55,212</b>
Cash		
Beginning	1,647,715	1,592,503
Ending	<u>\$ 1,675,133</u>	<u>\$ 1,647,715</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Property and equipment additions financed by accounts payable and accrued expenses	<u>\$ 469,143</u>	<u>\$ -</u>

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, fund 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 2015, the Houses welcomed 1,827 families, representing 9 countries outside the United States, 34 states, and 57 Florida counties. In 2014, the Houses welcomed 1,561 families, representing 20 countries outside the United States, 36 states, and 42 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 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.

**Recent accounting pronouncements:** The Financial Accounting Standards Board has issued certain new or modifications to, or interpretations of, existing accounting guidance. The Organization has considered the new un-adopted guidance and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

**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 \$102,000 and \$88,000 as of December 31, 2015 and 2014, 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 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 received 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, 2015 and 2014.

**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, 2015 and 2014, the Organization recorded contributed services and materials revenue of \$599,222 and \$927,003, respectively. These amounts are shown as revenue in the accompanying statements of activities as a component of unrestricted contributions. Of these amounts, \$207,615 and \$415,322 were capitalized as part of property and equipment during the years ended December 31, 2015 and 2014, respectively. The remaining portion was expensed to house operations in each year.

**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. 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, 2012.

**Subsequent events:** Management has assessed subsequent events through April 26, 2016, which is the date these financial statements were available to be issued.

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

**Notes to Financial Statements**

**Note 2. Pledges Receivable**

Pledges receivable include the following unconditional promises to give at December 31, 2015 and 2014:

	2015	2014
Amounts due in		
Less than one year	\$ 1,208,950	\$ 934,410
One to five years	711,992	834,495
	<u>1,920,942</u>	<u>1,768,905</u>
Less allowance for uncollectible pledges	(102,000)	(88,000)
Less unamortized discount	(18,438)	(26,553)
	<u>\$ 1,800,504</u>	<u>\$ 1,654,352</u>

**Note 3. Investments**

Investments consist of the following at December 31, 2015 and 2014:

Description	Cost	2015	
		Net Unrealized Gain	Fair Value
Mutual funds			
JHancock Regional Bank A Fund	\$ 4,191	\$ 112	\$ 4,303
Vanguard LifeStrategy Moderate Growth Fund	290,700	66,373	357,073
	<u>\$ 294,891</u>	<u>\$ 66,485</u>	<u>\$ 361,376</u>
Description	Cost	2014	
		Net Unrealized Gain	Fair Value
Mutual funds			
JHancock Regional Bank A Fund	\$ 4,000	\$ 30	\$ 4,030
Vanguard LifeStrategy Moderate Growth Fund	277,227	81,887	359,114
	<u>\$ 281,227</u>	<u>\$ 81,917</u>	<u>\$ 363,144</u>

Interest and dividends totaled \$16,764 and \$13,962 during the years ended December 31, 2015 and 2014, respectively.

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.

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

### Notes to Financial Statements

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#### 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:

- 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, 2015 and 2014, for financial assets measured at fair value on a recurring basis:

	2015			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Total
Mutual funds				
JHancock Regional Bank A Fund	\$ 4,303	\$ -	\$ -	\$ 4,303
Vanguard LifeStrategy Moderate Growth Fund	357,073	-	-	357,073
Beneficial interest in assets held by others	-	-	16,018	16,018
	<u>\$ 361,376</u>	<u>\$ -</u>	<u>\$ 16,018</u>	<u>\$ 377,394</u>
	2014			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Total

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, 2015 and 2014:

	2015	2014
	Beneficial Interest in Assets Held by Others	Beneficial Interest in Assets Held by Others
Balance, beginning of year	\$ 16,655	\$ 16,506
Unrealized (losses) gains	(715)	4
Purchases	78	145
Balance, end of year	<u>\$ 16,018</u>	<u>\$ 16,655</u>

**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, 2015 and 2014, are summarized as follows:

	2015	2014
Land	\$ 394,013	\$ 394,013
Buildings and improvements	7,027,457	7,027,457
Equipment	643,542	666,024
Furniture and fixtures	474,948	425,353
Construction in progress	3,850,879	400,000
	<u>12,390,839</u>	<u>8,912,847</u>
Less accumulated depreciation	<u>(3,387,404)</u>	<u>(3,141,440)</u>
	<u>\$ 9,003,435</u>	<u>\$ 5,771,407</u>

During the years ended December 31, 2015 and 2014, depreciation expense was \$269,946 and \$299,454, respectively.

**Note 6. Promised Use of Contributed Land**

In October 2014, the Ronald McDonald House Charities of Central Florida, Inc. entered into a ground (land) lease agreement with The Nemours Foundation (not-for-profit organization) to lease certain real property at Nemours Children's Hospital in Orlando, Florida for a term of 50 years. These premises will be used by the Organization to construct and then operate a Ronald McDonald House. The lease expires in September 2064 and the annual rental for the property is \$10, which was paid in full in 2014. The estimated fair value of the lease agreement was recorded as a contribution and discounted to present value over the life of the lease. The estimated fair value of the leased property was \$566,792 at the inception of the agreement and \$539,899 and \$561,283 at December 31, 2015 and 2014, respectively. The estimated fair value of rent recorded by the Organization was \$22,200 and \$5,550 during the years ended December 31, 2015 and 2014, respectively. The annual estimated fair value of the rent is \$22,200 annually.

**Note 7. 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, 2015 and 2014, the endowment fund had a fair value of \$16,018 and \$16,655, respectively, which is included in the accompanying statements of financial position as beneficial interest in assets held by others.



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

### Notes to Financial Statements

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#### Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014, are restricted for the following purposes:

	2015	2014
Passage of time (time restriction)	\$ 1,800,504	\$ 1,654,352
Capital campaign (restricted by donors for use in the construction of a new Ronald McDonald House at Nemours Children's Hospital in Orlando)	593,172	1,892,728
Promised use of contributed land	539,899	561,283
	<u>\$ 2,933,575</u>	<u>\$ 4,108,363</u>

Pledges receivable are included in temporarily restricted net assets until the stipulated time restriction ends and the funds are collected.

#### Note 9. Commitments

Leases: The Organization leases office space under a non-cancelable operating lease agreement expiring in December 2018. 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
2016	\$ 74,172
2017	75,938
2018	77,704
	<u>\$ 227,814</u>

Construction Contract: As of December 31, 2015, the Organization has a commitment totaling \$6,094,731 for the construction of a new Ronald McDonald House at Nemours Children's Hospital in Orlando. Total expenditures incurred are \$2,565,338 through December 31, 2015.

#### Note 10. Line of Credit

The Organization has a line of credit of \$3,700,000 bearing interest at a fixed rate of 3.99%, payable monthly, during construction of the new Ronald McDonald House at Nemours Children's Hospital in Orlando. After construction is completed, monthly principal and interest installment payments will be made based on a fifteen year amortization with a balloon payment due on June 19, 2021. This line of credit is secured by the new Ronald McDonald House at Nemours Children's Hospital in Orlando. There was no outstanding balance on the line of credit at December 31, 2015.

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

**Notes to Financial Statements**

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**Note 11. 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 \$27,100 and \$25,100 for the years ended December 31, 2015 and 2014, respectively.