



RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017





REPORT OF INDEPENDENT AUDITOR

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

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central Florida, Inc. ("the Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Organization'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 Organization'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, 2017, the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
June 13, 2018

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

ASSETS

Cash and cash equivalents	\$ 1,173,386
Assets restricted for long-term purposes	553,227
Investments	448,858
Other assets	130,610
Property and equipment, net	11,887,257
Promised use of contributed land	<u>499,007</u>

Total assets **\$ 14,692,345**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 51,722
Note payable	<u>1,620,000</u>

Total liabilities **1,671,722**

NET ASSETS

Unrestricted	
Undesignated	1,640,217
Designated for the J. Darrell Kelley endowment fund	19,672
Net investment in property and equipment	<u>10,267,257</u>

Total unrestricted net assets 11,927,146

Temporarily restricted	<u>1,093,477</u>
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Total net assets **13,020,623**

Total liabilities and net assets **\$ 14,692,345**

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Contributions	\$ 1,498,188	\$ 105,484	\$ 1,603,672
Special events revenue	781,033	—	781,033
Non-cash contributions	622,442	—	622,442
Auxiliary activities and other	162,641	—	162,641
Net assets released from restrictions	<u>832,599</u>	<u>(832,599)</u>	<u>—</u>
 Total public support and revenue and net assets released from restrictions	 <u>3,896,903</u>	 <u>(727,115)</u>	 <u>3,169,788</u>
 Expenses			
Program activities			
House operations	2,903,099	—	2,903,099
Affiliate payment to Ronald McDonald House Charities, Inc.	<u>58,029</u>	<u>—</u>	<u>58,029</u>
 Total program activities	 <u>2,961,128</u>	 <u>—</u>	 <u>2,961,128</u>
Supporting activities			
Fundraising	453,171	—	453,171
General and administrative	135,966	—	135,966
Cost of direct benefits to donors	<u>121,296</u>	<u>—</u>	<u>121,296</u>
 Total supporting activities	 <u>710,433</u>	 <u>—</u>	 <u>710,433</u>
 Total expenses	 <u>3,671,561</u>	 <u>—</u>	 <u>3,671,561</u>
 CHANGE IN NET ASSETS	 225,342	 (727,115)	 (501,773)
 NET ASSETS - Beginning of year	 <u>11,701,804</u>	 <u>1,820,592</u>	 <u>13,522,396</u>
 NET ASSETS - End of year	 <u>\$ 11,927,146</u>	 <u>\$ 1,093,477</u>	 <u>\$ 13,020,623</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2017

	<u>Program Activities</u>	<u>Supporting Activities</u>				<u>Total Expenses</u>
	<u>House Operations</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Cost of direct benefits to donors</u>	<u>Total Supporting Activities</u>	
Salaries, wages, and payroll taxes	\$ 1,080,622	\$ 178,753	\$ 72,111	\$ —	\$ 250,864	\$ 1,331,486
House supplies	520,540	—	—	—	—	520,540
Depreciation	486,118	—	—	—	—	486,118
Repairs and maintenance	155,142	—	—	—	—	155,142
Utilities	147,121	—	—	—	—	147,121
Office space	99,771	25,488	7,757	—	33,245	133,016
Cost of direct benefits to donors	—	—	—	121,296	121,296	121,296
Interest expense	78,871	—	—	—	—	78,871
Insurance	76,545	—	—	—	—	76,545
Professional fees and contract services	28,236	12,050	26,567	—	38,617	66,853
Printing and publishing	9,469	57,228	—	—	57,228	66,697
Other house and room management - other supplies	64,397	—	—	—	—	64,397
Public relations	8,762	47,167	—	—	47,167	55,929
Canister maintenance	—	53,350	—	—	53,350	53,350
Miscellaneous	4,125	48,895	—	—	48,895	53,020
Linens and laundry	47,018	—	—	—	—	47,018
Telephone	32,866	—	1,730	—	1,730	34,596
Cleaning service and supplies	25,557	—	—	—	—	25,557
Bank charges and credit card fees	—	962	19,141	—	20,103	20,103
Donor recognition and communications	—	15,392	—	—	15,392	15,392
Volunteers	11,912	—	—	—	—	11,912
Postage	736	11,115	—	—	11,115	11,851
Auto expense	11,520	—	—	—	—	11,520
Travel	2,771	2,771	2,771	—	5,542	8,313
Meetings, trainings, and seminars	5,727	—	2,454	—	2,454	8,181
Taxes and licenses	1,772	—	1,480	—	1,480	3,252
Marketing supplies	—	—	1,955	—	1,955	1,955
Dues and subscriptions	1,830	—	—	—	—	1,830
House programs	1,671	—	—	—	—	1,671
	<u>\$ 2,903,099</u>	<u>\$ 453,171</u>	<u>\$ 135,966</u>	<u>\$ 121,296</u>	<u>\$ 710,433</u>	<u>3,613,532</u>
				Affiliate payment to Ronald McDonald House Charities, Inc.		<u>58,029</u>
				Total Expenses		<u>\$ 3,671,561</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2017

OPERATING CASH FLOWS

Cash received from contributions	\$ 1,603,672
Cash received from special events	781,033
Cash from auxiliary and other activities	101,735
Cash paid for operating activities and costs	(2,484,486)
Interest paid	<u>(78,871)</u>

Net operating cash flows **(76,917)**

INVESTING CASH FLOWS

Net sales of investments	2,522
Net purchases of and improvements to property and equipment	(25,369)
Net release of assets restricted for long-term purposes	<u>680,171</u>

Net investing cash flows **657,324**

FINANCING CASH FLOWS

Repayments of note payable	<u>(730,000)</u>
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Net financing cash flows **(730,000)**

NET CHANGE IN CASH AND CASH EQUIVALENTS **(149,593)**

CASH AND CASH EQUIVALENTS - Beginning of year **1,322,979**

CASH AND CASH EQUIVALENTS - End of year **\$ 1,173,386**

RECONCILIATION OF CHANGE IN NET ASSETS TO NET

OPERATING CASH FLOWS

Change in net assets	\$ (501,773)
Adjustments to reconcile change in net assets to net operating cash flows	
Net gain on investments	(60,906)
Depreciation	486,118
Change in other assets	(8,128)
Change in promised use of contributed land	20,140
Change in accounts payable and accrued expenses	<u>(12,368)</u>

Net operating cash flows **\$ (76,917)**

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – NATURE OF ACTIVITIES

Ronald McDonald House Charities of Central Florida, Inc. (“the Organization”) is a Florida not-for-profit corporation. The purpose of the Organization is to create, find, and support programs that directly improve the health and well-being of children and families. The Organization’s primary activity is the operation of three Ronald McDonald Houses (“the Houses”) in the Central Florida area. The houses have a combined 74 bedrooms which are used to provide temporary lodging to families of seriously ill children being treated at Florida Hospital for Children, Arnold Palmer Medical Center, and Nemours Children’s Hospital.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. 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 reported in the statement of activities as “net assets released from restrictions.”

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Investments

Investments consist of mutual funds which are carried at estimated fair value. Estimated fair value is determined based on quoted market prices.

Property and equipment

Property and equipment is stated at original cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the expected useful lives of the related assets.

Board designated net assets

The J. Darrell Kelley endowment fund was established by the board in a previous year, the earnings from which are to be used to support the ongoing operations of the Organization.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated useful lives of property and equipment, and the estimated fair value of the promised use of contributed land and noncash gifts. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial statement reporting and disclosure subsequent events through June 13, 2018, the date as of which the financial statements were available to be issued.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C - CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Organization's debt is held by one financial institution.

NOTE D - ASSETS RESTRICTED FOR LONG-TERM PURPOSES

Assets restricted for long-term purposes were restricted for capital projects and consisted of the following:

Cash	\$	230,414
Other assets		32,000
Pledges receivable		<u>290,813</u>
Total assets restricted for long-term purposes	\$	<u>553,227</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>		
Land	\$	394,013
Buildings and building improvements		14,163,306
Furniture, fixtures, and equipment		1,461,804
Vehicles		<u>91,080</u>
Total property and equipment		16,110,203
Less: Accumulated depreciation		<u>(4,222,946)</u>
Net property and equipment	\$	<u>11,887,257</u>

Depreciation expense amounted to \$486,118 during 2017. The Organization's land is subject to certain restrictive covenants limiting the use of the properties as Ronald McDonald House locations.

NOTE F - PROMISED USE OF CONTRIBUTED LAND

During a prior year, the Organization entered into a lease agreement with The Nemours Foundation (a Florida not-for-profit organization) to lease certain real property at Nemours Children's Hospital in Orlando, Florida for a term of 50 years. The lease expires in September 2064. The lease agreement requires nominal rent of \$10 a year which was paid in full in a prior year. The lease requires the Organization to use the property to construct and operate a Ronald McDonald House ("the House"). The Organization completed the construction of the House on the property in a prior year and uses the property for the operation of the House. The estimated fair value of the lease agreement (discounted for present value) was recognized as a contribution at the inception of the lease agreement. The estimated fair value of the leased property at December 31, 2017 is \$499,007 and is included in "promised use of contributed land" in the accompanying statement of financial position. The estimated fair value of rent recognized by the Organization from this agreement was \$22,200 during 2017.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G - NOTE PAYABLE

The Organization's note payable is payable to a bank and requires monthly payments of interest at 3.99% per annum and annual principal reductions of \$200,000. The note is secured by certain real property and matures during June 2021.

Future maturities of the note payable are as follows:

Year Ending <u>December 31,</u>	
2018	\$ 200,000
2019	200,000
2020	200,000
2021	<u>1,020,000</u>
 Total	 <u>\$ 1,620,000</u>

Interest expense amounted to \$78,871 during 2017.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Promised use of contributed land	\$ 519,147	\$ —	\$ —	\$ (20,140)	\$ 499,007
Pledges receivable for capital projects	794,374	77,789	(580,139)	(1,211)	290,813
Capital projects	439,024	2,060	580,139	(758,809)	262,414
Pledges receivable for operations	68,047	20,000	—	(48,047)	40,000
Other	<u>—</u>	<u>5,635</u>	<u>—</u>	<u>(4,392)</u>	<u>1,243</u>
 Total	 <u>\$ 1,820,592</u>	<u>\$ 105,484</u>	<u>\$ —</u>	<u>\$ (832,599)</u>	<u>\$ 1,093,477</u>

During 2017, management of the Organization determined that certain amounts previously treated as temporarily restricted net assets should have been treated as unrestricted net assets. Accordingly, \$33,953 of net assets have been reclassified from temporarily restricted net assets to unrestricted net assets as of January 1, 2017, with no effect on total net assets.

NOTE I - NON-CASH CONTRIBUTIONS

The Organization receives donations of tickets from several Central Florida theme parks as well as donations of food and beverages, clothing, toys, daily living essentials, and other similar donations from individuals and corporate partners. Noncash contributions are recognized as revenue at their estimated fair value on the date the gifts are received and are recognized as expenses when the related gifts are distributed to families. During 2017, the Organization recognized noncash contributions of \$622,442 which is included in "non-cash contributions" in the accompanying statement of activities.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE J - RETIREMENT PLAN

The Organization maintains a 403(b) retirement plan ("the Plan") in which employees are eligible to participate upon meeting the eligibility requirements as described in the Plan document. Eligible employees may make tax-deferred contributions to the Plan. The Plan allows for the Organization to make discretionary contributions. The Organization made contributions to the Plan of approximately \$29,000 during 2017.