

Ronald McDonald House Charities of North Central Florida, Inc.

Financial Statements
And
Independent Auditors' Report

December 31, 2012

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Kattell and Company P.L.

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Ronald McDonald House Charities of North Central Florida, Inc. (the Corporation), which comprise the statement of financial position as of December 31, 2012, 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.

Auditors' 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 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 North Central Florida, Inc. as of December 31, 2012, and 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.

Report on Summarized Comparative Information. We have previously audited the Corporation's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kattell and Company P.L.

April 23, 2013
Gainesville, Florida

Statement of Financial Position
December 31, 2012
(with summarized information for 2011)
Ronald McDonald House Charities of North Central Florida, Inc.

	<u>2012</u>	<u>2011</u>
Assets		
Cash	\$ 120,958	\$ 103,297
Pledge Receivable	29,302	--
Prepaid expenses	5,713	9,722
Other Assets	8,261	8,261
Investments:		
Investments - Unrestricted	218,076	190,776
Investments - Permanently Restricted	600,000	600,000
Property and Equipment:		
Property and Equipment	2,425,442	2,395,682
Accumulated Depreciation	(1,255,506)	(1,217,462)
Contribution Receivable – Use of Land	226,445	228,833
Total Assets	\$ 2,378,691	\$ 2,319,109
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 25,648	\$ 16,650
Accrued Payroll	7,412	7,288
Accrued Vacation	5,760	6,304
Due to RMHC Jacksonville - Note 5	21,830	9,902
Total Liabilities	60,650	40,144
Net Assets:		
Unrestricted:		
Invested in Property and Equipment	1,169,936	1,178,220
Other	258,243	231,116
Total Unrestricted	1,428,179	1,409,336
Temporarily Restricted	289,862	269,629
Permanently Restricted	600,000	600,000
Total Net Assets	2,318,041	2,278,965
Total Liabilities and Net Assets	\$ 2,378,691	\$ 2,319,109

See accompanying notes.

Statement of Activities
For the Year Ended December 31, 2012
(with summarized information for 2011)
Ronald McDonald House Charities of North Central Florida, Inc.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2011 Summarized
Revenues:					
Contributions:					
Canister Donations – Note 5	\$ 130,083	\$ --	\$ --	\$ 130,083	\$ 129,010
United Way	35,377	--	--	35,377	58,308
Room Donations	58,133	--	--	58,133	47,396
Other	320,461	7,841	--	328,302	278,574
Non-Cash Contributions:					
Equipment – Capitalized	94,146	--	--	94,146	5,500
Supplies	142,714	29,302	--	172,016	114,359
Discount Amortization – Note 4	11,442	--	--	11,442	11,556
Special Events, Net	46,312	--	--	46,312	65,019
Investment Income, Net	2,653	--	--	2,653	11,849
Other Revenue	12,450	--	--	12,450	6,428
Net Assets Released from Restrictions	16,910	(16,910)	--	--	--
Total Revenues	870,681	20,233	--	890,914	727,999
Expenses:					
Program Services:					
House	621,687	--	--	621,687	633,640
Family Room	44,905	--	--	44,905	27,913
Management and General	100,828	--	--	100,828	148,423
Fundraising	97,132	--	--	97,132	155,996
Unallocated Payments	11,933	--	--	11,933	16,237
Total Expenses	876,485	--	--	876,485	982,209
Net from Operating Activities	(5,804)	20,233	--	14,429	(254,210)
Gain (Loss) from Investments	24,647	--	--	24,647	(1,652)
Change in Net Assets	18,843	20,233	--	39,076	(255,862)
Net Assets, Beginning of Year	1,409,336	269,629	600,000	2,278,965	2,534,827
Net Assets, End of Year	\$ 1,428,179	\$ 289,862	\$ 600,000	\$ 2,318,041	\$ 2,278,965

See accompanying notes.

Statement of Functional Expenses
For the Year Ended December 31, 2012
(with summarized information for 2011)
Ronald McDonald House Charities of North Central Florida, Inc.

	Program Services		Management	Fundraising	Direct Donor	Unallocated	Total	2011
	House	Family Room	And General		Benefits	Payments	Expenses	
Salaries	\$ 185,794	\$ 29,498	\$ 38,642	\$ 22,081	\$ --	\$ --	\$ 276,015	\$ 389,048
Payroll Taxes	14,158	2,250	2,945	1,683	--	--	21,036	29,244
Fringe Benefits	34,712	5,463	7,211	4,120	--	--	51,506	70,832
Advertising	640	--	620	--	--	--	1,260	1,491
Bank Fees	--	--	1,005	--	--	--	1,005	1,069
Depreciation	93,774	--	5,210	5,209	--	--	104,193	88,059
Fundraising Supplies	--	--	--	2,115	2,282	--	4,397	13,402
Fundraising Supplies – Donated	--	--	--	9,950	600	--	10,550	10,300
Program Supplies	28,390	1,676	--	--	--	--	30,066	22,223
Program Supplies – Donated	136,714	6,000	--	--	--	--	142,714	114,359
Insurance	17,565	--	976	975	--	--	19,516	19,204
Office Supplies	7,265	--	1,304	745	--	--	9,314	10,455
Postage and Printing	5,269	--	946	540	--	--	6,755	31,350
Professional Development	1,925	--	--	--	--	--	1,925	3,110
Professional Fees	5,828	--	30,305	598	--	--	36,731	49,867
Rent – Land	12,447	--	692	691	--	--	13,830	13,830
Repairs and Maintenance	17,433	18	969	969	--	--	19,389	24,176
Storage Rental	1,359	--	--	--	--	--	1,359	1,812
Taxes and Licenses	--	--	1,053	--	--	--	1,053	923
Temporary Labor	6,579	--	6,276	448	--	--	13,303	2,141
Travel	2,005	--	2,005	--	--	--	4,010	3,399
Utilities	49,830	--	2,769	2,768	--	--	55,367	50,795
Venue	--	--	--	--	4,075	--	4,075	14,217
Contract Services – Note 5	--	--	--	44,240	--	--	44,240	47,048
National Organization – Note 5	--	--	--	--	--	11,933	11,933	16,237
Total Expenses	621,687	44,905	102,928	97,132	6,957	11,933	885,542	1,028,591
Expenses netted with Special Events	--	--	--	--	(6,957)	--	(6,957)	(33,028)
Expenses netted with Investment Income	--	--	(2,100)	--	--	--	(2,100)	(13,354)
Total Functional Expenses	\$ 621,687	\$ 44,905	\$ 100,828	\$ 97,132	\$ --	\$ 11,933	\$ 876,485	\$ 982,209

See accompanying notes.

Statement of Cash Flows
For the Year Ended December 31, 2012
(with summarized information for 2011)
Ronald McDonald House Charities of North Central Florida, Inc.

	<u>2012</u>	<u>2011</u>
Operating Activities:		
Change in Net Assets	\$ 39,076	\$ (255,862)
Adjustments:		
Depreciation	104,193	88,058
Donated Equipment	(94,146)	(5,500)
Net (Gain)/Loss on Investments	(24,647)	1,652
Changes in:		
Pledges Receivable	(29,302)	
Prepaid Expenses	4,009	(7)
Contributions Receivable	2,388	2,274
Accounts Payable and Accrued Expenses	<u>20,506</u>	<u>(27,600)</u>
Net Cash Provided By (Used In) Operating Activities	22,077	(196,985)
Investing Activities:		
Proceeds from Sale of Investments	281,839	1,063,068
Purchases of Investments	(284,492)	(850,055)
Purchases of Property and Equipment	<u>(1,763)</u>	<u>(22,307)</u>
Net Cash Provided by (Used In) Investing Activities	<u>(4,416)</u>	<u>190,706</u>
Net Increase (Decrease) in Cash	17,661	(6,279)
Cash, Beginning of Year	<u>103,297</u>	<u>109,576</u>
Cash, End of Year	<u>\$ 120,958</u>	<u>\$ 103,297</u>

See accompanying notes.

Notes to the Financial Statements
December 31, 2012
Ronald McDonald House Charities of North Central Florida, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

Ronald McDonald House Charities of North Central Florida, Inc. (the Organization) is a nonprofit corporation organized under the Florida Not-For-Profit Corporation Act. The mission of the Organization is to provide temporary housing, basic amenities and support to families with critically ill children being treated at area medical facilities. The Organization operates a Ronald McDonald House located in Gainesville, FL and a Family Room at Shands Children's Hospital.

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, The Organization qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Organization is operated exclusively for charitable, scientific and educational purposes. The Organization holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Organization's Form 990, *Return of Organization Exempt from Income Taxes*, is subject to examination by the IRS, generally for three years after the date filed.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization is considered a voluntary health and welfare organization and a statement of functional expenses is presented.

Cash

Cash consists of deposits in financial institutions. There were no amounts that exceeded federal deposit insurance limits at December 31, 2012.

Investments

Investments are reported at fair value. The Organization invests only in cash deposits and debt and equity securities with readily determinable fair values. Their fair value is determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions. (also known as Level 1 of the fair value hierarchy).

Fixed Assets

Property and equipment expenditures in excess of \$500 are recorded at cost when purchased or, if donated, at estimated fair value. Improvements that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives that range from ten to forty years.

Management reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured by comparing the carrying amount of the assets to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition. The Organization has not recognized any impairment on its fixed assets.

Notes to the Financial Statements
December 31, 2012
Ronald McDonald House Charities of North Central Florida, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

Permanently Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which do not expire by passage of time or cannot be fulfilled by actions of the Organization.

Temporarily Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time or are fulfilled by actions of the Organization.

Unrestricted - Those net assets that are neither permanently nor temporarily restricted.

Revenue Recognition

Contributions – General. Contributions are recognized as revenue when they are received or unconditionally pledged and are recorded at their estimated fair values.

Contributions – Donor Restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Amounts that are restricted for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support; however, donor-restricted contributions whose restrictions are met within the same fiscal year are reported as unrestricted support. When a temporary restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions – Services. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization receives a significant amount of services from volunteers which do not meet the criteria above. Volunteers provide assistance in a variety of the activities of the Organization.

Advertising Costs

Advertising costs are expensed when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Notes to the Financial Statements
December 31, 2012
Ronald McDonald House Charities of North Central Florida, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Functional Expenses

The operating expenses of the Organization are allocated to three functional categories based on management's estimate of time engaged in each of the functions. These functions are defined below:

Program Services – The Organization has two program services:

1. *House* – costs associated with running the Ronald McDonald House.
2. *Family Room* – costs associated with running the Family Room at Shands Children's Hospital in Gainesville, Florida.

Management and General – the costs of operating the Organization's affairs which are not allocable to other functional areas.

Fundraising – the costs associated with soliciting contributions or holding special events for the benefit of the Organization.

Endowment Funds

Generally accepted accounting principles define an endowment fund as an established fund of cash, securities or other assets to provide income for the maintenance of a not-for-profit organization (NPO). The use of the assets of the fund may be permanently or temporarily restricted based on 1) the presence or absence of donor restrictions, or 2) the provisions of state law. In addition, the Board of a NPO may earmark a portion of its unrestricted net assets as a board-designated endowment to be invested to provide income for the NPOs operations and programs.

Florida recently passed the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The Organization has interpreted FUPMIFA to require investment earnings in excess of the fair value of the original gift to be treated as temporarily restricted net assets until appropriated for expenditure by the Board of Directors. See Note 7 for further information.

NOTE 2 – INVESTMENTS

The Organization holds the majority of its funds in an investment management account with Merrill Lynch, Inc. The following provides a summary of investments:

	<u>2012</u>	<u>2011</u>
Cash/Money Market	\$ 818,076	\$ 297,066
Equities	--	234,915
Fixed Income	--	258,795
Total	<u>\$ 818,076</u>	<u>\$ 790,776</u>

The cash/money market investments are deposits in financial institutions that are fully insured by the FDIC. These amounts are displayed on the Statement of Functional Position as:

	<u>2012</u>	<u>2011</u>
Investments – Unrestricted	\$ 218,076	\$ 190,776
Investments – Permanently Restricted	600,000	600,000
	<u>\$ 818,076</u>	<u>\$ 790,776</u>

The composition of the investment return reported in the statement of activities as follows:

	<u>2012</u>	<u>2011</u>
Investment Income	\$ 4,753	\$ 25,203
Investment Fees	(2,100)	(13,354)
Unrealized and Realized Net Gains(Loss)	24,647	(1,652)
Total	<u>\$ 27,300</u>	<u>\$ 10,197</u>

Notes to the Financial Statements
December 31, 2012
Ronald McDonald House Charities of North Central Florida, Inc.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following:

	<u>2012</u>	<u>2011</u>
Building and Improvements	\$2,093,009	\$2,091,236
Furniture and Equipment	332,433	304,446
	<u>2,425,442</u>	<u>2,395,682</u>
Less Accumulated Depreciation	<u>(1,255,506)</u>	<u>(1,217,462)</u>
Property and Equipment, Net	<u>\$1,169,936</u>	<u>\$1,178,220</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE – LAND

The Organization's facilities are located on land owned by the University of Florida. The land is leased to the Organization for \$1 per year until 2048, at which time the building and all capital improvements revert to the University.

At the signing of the lease, the Organization reported the fair value of the contribution and a corresponding contribution receivable. Fair value was calculated by discounting the estimated annual fair rental value of \$13,830 for forty years at an estimated risk free rate of 5%.

Each year thereafter, the receivable is reduced by rent expense and is increased by annual discount amortization. Annual discount amortization is reported as a non-cash contribution revenue in the Statement of Activities.

NOTE 5 – CANISTER DONATIONS

McDonald's restaurant locations in Northeast Florida and South Georgia maintain collection receptacles (canisters) and in some cases offer arcade games as a way to raise funds for the Organization and Ronald McDonald House Charities Jacksonville (RMHC Jacksonville). The Organization and RMHC Jacksonville pay contractors to collect, account for, and deposit these funds and split the net proceeds evenly. In addition, 25% of the net proceeds from the canister donations are paid to the national organization, Ronald McDonald House Charities, Inc.

The Organization maintains a checking account to receive the funds for the two organizations. In addition, the Organization pays for the contractor costs before splitting the net proceeds with RMHC Jacksonville. However, the Organization only reports its 50% share of these revenues and expenses.

NOTE 6 – DONOR IMPOSED RESTRICTIONS

Temporarily restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Contributions Receivable – Land – (time) See Note 4	\$ 226,445	\$ 228,833
House improvements – (purpose)	34,115	40,796
House Supplies - (time)	29,302	--
Total	<u>\$ 289,862</u>	<u>\$ 269,629</u>

Permanently restricted net assets consist of the following endowments:

	<u>2012</u>	<u>2011</u>
Kroc Endowment	\$ 514,585	\$ 514,585
Other Endowments	85,415	85,415
Total	<u>\$ 600,000</u>	<u>\$ 600,000</u>

Endowment funds generate unrestricted income. The Organization does not have a policy for appropriation of earnings.

Notes to the Financial Statements

December 31, 2012

Ronald McDonald House Charities of North Central Florida, Inc.

NOTE 7– ENDOWMENT FUNDS

The Endowment Fund is classified into the net asset categories based on the presence or absence of donor-imposed restrictions and the application of FUPMIFA. The changes in endowment fund balances by net asset class are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Balance – December 31, 2011	\$ (78,896)	\$ --	\$ 600,000	\$ 521,104
Interest/Dividends	4,203	--	--	4,203
Deposits	--	--	--	--
Withdrawals	--	--	--	--
Fees	(1,846)	--	--	(1,846)
Realized/Unrealized Gains	24,647	--	--	24,647
Balance – December 31, 2012	<u>\$ (51,892)</u>	<u>\$ --</u>	<u>\$ 600,000</u>	<u>\$ 548,108</u>

Since the value of assets held in the fund is less than the fair value of the original gift, the amount of the deficit is reported as negative unrestricted net assets. This deficit is deducted from other unrestricted net assets to arrive at the amount reported on the statement of financial position.

NOTE 8 – RETIREMENT

The Organization offers employees a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers substantially all full-time employees. Contributions to the plan are at the discretion of the board of directors. There were no contributions to the plan during the year ending December 31, 2012.

NOTE 9– DONATED SERVICES

The Organization depends on volunteers to cook meals for and provide other assistance to residents of the House, provide assistance to clients in the family room at Shands Children’s Hospital, and assist with the cleaning and maintenance of the House and grounds. The Organization received 19,135 hours of volunteer services in 2012. At \$18.66 per hour, this amounts to \$357,059 of additional contributions and program service expenses. This hourly rate is the estimated value per hour of volunteer time for Florida as estimated by Independent Sector. See http://www.independentsector.org/volunteer_time for more information on the estimated value per hour.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through April 23, 2013, which is the date the financial statements were available to be issued.