

**RONALD MCDONALD HOUSE CHARITIES  
OF SOUTHWEST FLORIDA, INC.**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2018 and 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ronald McDonald House Charities of Southwest Florida, Inc.  
Fort Myers, Florida

We have audited the accompanying financial statements of Ronald McDonald House Charities of Southwest Florida, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

**Auditors' 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 audits 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 Southwest Florida, Inc. as of December 31, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "Hughes, Snell & Co., P.A.".

HUGHES, SNELL & CO., P.A.

Fort Myers, Florida

July 17, 2019

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statements of Financial Position  
December 31, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,332,513	\$ 1,223,547
Accounts receivable	151,055	97,913
Prepaid expenses	22,338	36,650
Total Current Assets	<u>1,505,906</u>	<u>1,358,110</u>
<b>NONCURRENT ASSETS</b>		
Certificates of deposit	-	307,448
Investments	2,059,881	1,737,401
Property and equipment, net	1,407,577	1,591,797
Total Noncurrent Assets	<u>3,467,458</u>	<u>3,636,646</u>
Total Assets	<u>\$ 4,973,364</u>	<u>\$ 4,994,756</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 98,720	\$ 61,247
Deferred revenue	31,310	63,491
Total Current Liabilities	<u>130,030</u>	<u>124,738</u>
<b>NET ASSETS</b>		
Without donor restrictions	4,063,876	4,102,919
With donor restrictions	779,458	767,099
Total Net Assets	<u>4,843,334</u>	<u>4,870,018</u>
Total Liabilities and Net Assets	<u>\$ 4,973,364</u>	<u>\$ 4,994,756</u>

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statement of Activities  
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Gross proceeds from fundraising events	\$ 389,928	\$ 103,853	\$ 493,781	\$ 582,633	\$ 86,686	\$ 669,319
Less: cost of direct benefits to donors	(204,749)	-	(204,749)	(275,337)	-	(275,337)
Net proceeds from fundraising events	185,179	103,853	289,032	307,296	86,686	393,982
Contributions	593,968	168,443	762,411	714,365	101,638	816,003
Guest donations	-	3,190	3,190	-	2,140	2,140
In-kind contributions	-	-	-	44,049	-	44,049
Net assets released from restrictions	263,127	(263,127)	-	84,134	(84,134)	-
Total Revenues and Support	1,042,274	12,359	1,054,633	1,149,844	106,330	1,256,174
<b>EXPENSES</b>						
Program services	686,446	-	686,446	654,915	-	654,915
General and administrative	172,237	-	172,237	184,905	-	184,905
Fundraising	209,830	-	209,830	237,347	-	237,347
Unallocated payments to RMHC Global	-	-	-	32,107	-	32,107
Total Expenses	1,068,513	-	1,068,513	1,109,274	-	1,109,274
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>						
	(26,239)	12,359	(13,880)	40,570	106,330	146,900
<b>NET INVESTMENT RETURN</b>						
	(12,804)	-	(12,804)	198,395	-	198,395
<b>CHANGE IN NET ASSETS</b>						
	(39,043)	12,359	(26,684)	238,965	106,330	345,295
<b>NET ASSETS, BEGINNING OF YEAR</b>						
	4,102,919	767,099	4,870,018	3,863,954	660,769	4,524,723
<b>NET ASSETS, END OF YEAR</b>						
	\$ 4,063,876	\$ 779,458	\$ 4,843,334	\$ 4,102,919	\$ 767,099	\$ 4,870,018

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statement of Functional Expenses  
Year Ended December 31, 2018 (with summarized comparative totals for 2017)

EXPENSES	2018					2017
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donor	Total	
Payroll and benefits	\$ 139,793	\$ 102,860	\$ 84,803	\$ -	\$ 327,456	\$ 324,397
Payroll taxes	12,267	5,841	5,257	-	23,365	24,145
Total Salaries and Related Expenses	152,060	108,701	90,060	-	350,821	348,542
Payments to RMHC Global	-	-	-	-	-	32,107
Fund raising	-	-	92,620	-	92,620	95,955
Event facilities and entertainment	-	-	-	204,749	204,749	275,337
Marketing	2,172	-	320	-	2,492	5,281
Canister collections	-	-	-	-	-	24,283
Insurance	23,120	6,482	3,327	-	32,929	46,336
Office	10,853	5,900	6,317	-	23,070	25,311
Outside service contracts	18,384	2,163	1,081	-	21,628	23,708
Professional fees	11,829	18,305	-	-	30,134	32,367
Repair and maintenance	18,477	3,296	2,659	-	24,432	21,530
Supplies	34,182	738	369	-	35,289	81,545
Travel and entertainment	6,060	3,809	-	-	9,869	7,875
Utilities	18,703	3,069	2,255	-	24,027	26,211
Volunteer	3,254	-	1,110	-	4,364	7,401
Grants	219,947	-	-	-	219,947	132,968
Miscellaneous	2,298	350	-	-	2,648	3,658
Depreciation	165,107	19,424	9,712	-	194,243	194,196
Total Expenses	\$ 686,446	\$ 172,237	\$ 209,830	\$ 204,749	1,273,262	1,384,611
				Direct benefits to donor	(204,749)	(275,337)
				Total Expenses - Statement of Activities	\$ 1,068,513	\$ 1,109,274

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statement of Functional Expenses  
Year Ended December 31, 2017

EXPENSES	Program Services	General and Administrative	Fundraising	Direct Benefit to Donor	Unallocated payments to RMHC Global	Total
Payroll and benefits	\$ 138,483	\$ 102,042	\$ 83,872	\$ -	\$ -	\$ 324,397
Payroll taxes	12,676	6,036	5,433	-	-	24,145
Total Salaries and Related Expenses	<u>151,159</u>	<u>108,078</u>	<u>89,305</u>	-	-	<u>348,542</u>
Payments to RMHC Global	-	-	-	-	32,107	32,107
Fund raising	-	-	95,955	-	-	95,955
Event facilities and entertainment	-	-	-	275,337	-	275,337
Marketing	2,691	-	2,590	-	-	5,281
Canister collections	-	-	24,283	-	-	24,283
Insurance	34,537	7,751	4,048	-	-	46,336
Office	7,809	12,849	4,653	-	-	25,311
Outside service contracts	18,902	3,694	1,112	-	-	23,708
Professional fees	11,804	20,563	-	-	-	32,367
Repair and maintenance	15,771	3,196	2,563	-	-	21,530
Supplies	80,936	406	203	-	-	81,545
Travel and entertainment	2,525	5,316	34	-	-	7,875
Utilities	20,577	3,282	2,352	-	-	26,211
Volunteer	6,862	-	539	-	-	7,401
Grants	132,968	-	-	-	-	132,968
Miscellaneous	3,308	350	-	-	-	3,658
Depreciation	165,066	19,420	9,710	-	-	194,196
Total Expenses	<u>\$ 654,915</u>	<u>\$ 184,905</u>	<u>\$ 237,347</u>	<u>\$ 275,337</u>	<u>\$ 32,107</u>	<u>1,384,611</u>
					Direct benefits to donor	<u>(275,337)</u>
					Total Expenses - Statement of Activities	<u>\$ 1,109,274</u>

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



RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statements of Cash Flows  
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (26,684)	\$ 345,295
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	194,243	194,196
Noncash contributions of assets	-	(26,016)
Net realized and unrealized (gains) losses on investments	69,482	(142,298)
Interest and dividend reinvestment	(40,974)	(50,138)
Accrued interest	(10,286)	(424)
(Increase) decrease in assets:		
Accounts receivable	(53,142)	(53,146)
Prepaid expenses	14,312	5,717
Decrease (increase) in liabilities:		
Accounts payable and accrued expenses	37,473	4,917
Deferred revenue	(32,181)	(40,659)
	<u>152,243</u>	<u>\$ 237,444</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(10,023)	(2,397)
Proceeds from redemption of certificates of deposit	307,448	211,429
Purchase of certificate of deposit	-	(200,000)
Purchases of investments	(2,121,954)	(163,308)
Proceeds from sale of investments	1,781,252	211,555
	<u>(43,277)</u>	<u>57,279</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	108,966	294,723
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,223,547</u>	<u>928,824</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,332,513</u>	<u>\$ 1,223,547</u>

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

# RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

## **NOTE A – THE ORGANIZATION**

Ronald McDonald House Charities of Southwest Florida, Inc. (the "Organization") is a Florida not-for-profit corporation organized on September 23, 2003. The mission of the Organization is to create, find and support programs that directly impact the health and well-being of children and their families in the five county region we serve. The mission is fulfilled through operation of sustainable programs including the Ronald McDonald House located in Fort Myers that provides a "home away from home" for families with children undergoing medical treatment at Golisano Children's Hospital; the Ronald McDonald Family Room located at the children's hospital provides families of hospitalized children a space to rest and regroup while being near their child's bedside; and the Ronald McDonald Care Mobile units provide medical and dental screenings, treatment and sealants to underserved areas as well as monthly autism screenings.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

### Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of all activities of the Organization. Nonoperating activities is limited to net investment return.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Accounts Receivable

Accounts receivable consists of amounts owed by donors and partners and are stated at the amount management expected to be collected from the outstanding balance. All receivables are considered fully collectible, therefore, no allowance for uncollectible accounts has been recorded. The expense related to uncollectible accounts is recognized in the period in which a specific account is determined to be uncollectible. There was no bad debt expense for the years ended December 31, 2018 or 2017. All receivables owed by donors are expected to be received within one year.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities and the Organizations beneficial interest in assets held by other at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

Certificates of deposit are purchased with original maturity dates of over one year and are stated at cost plus accrued interest, which approximates fair value.

The Southwest Florida Community Foundation maintains an agency endowment (the “Ronald McDonald House Charities of Southwest Florida Fund”) for the benefit of the Organization. The Organization has granted the Foundation variance power which gives the Foundation’s Board of Directors the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation’s investment and spending policies.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the time of donation. Additions and major renewals in excess of \$500 are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The cost of maintenance and repairs is expensed as incurred.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the fair value of the asset is less than the carrying value. There were no impairment losses recognized in 2018 or 2017.

Deferred Revenue

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

Net Assets

The Organization’s net assets and changes therein are classified and reported as net assets without and with donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for capital reserves totaling \$144,155 as of December 31, 2018 and 2017.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net Assets (continued)

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donated Assets, Property and Equipment, and Services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donations of services are recognized as contributions only if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by the individual possessing those skills, and would typically be purchased if not provided by donation. For the year ended December 31, 2017, the Organization recognized donated services in the amount of \$11,145 and donated materials and supplies of \$44,049. For the year ended December 31, 2018, the Organization recognized donated services in the amount of \$7,720 and no donated materials and supplies were recognized.

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, interest, maintenance and repairs, and utilities, which are allocated on a square footage basis; payroll, benefits and payroll taxes are allocated on the basis of estimated time and effort; payroll taxes, and office supplies, technology and telephone are allocated based on the average of the personnel allocation described above.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as well as exempt from state income taxes as the Organization is a not-for-profit Florida corporation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization does not have unrelated business income for the years ended December 31, 2018 or 2017. Accordingly, no provision for income taxes has been made. The Organization is not considered a private foundation within the meaning of Section 509(a) of the Code.

Management has evaluated its tax positions and believes that all positions taken are well documented and supported and there are no uncertain tax positions that are material to the financial statements. Therefore, no provision for uncertain tax positions has been recorded.

Cash Flows

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except for money market fund included in managed investment account.

The Organization made no cash payments for income tax or interest during the years ended December 31, 2018 or 2017.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 17, 2019, the date that the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

**NOTE C – LIQUIDITY AND AVAILABILITY**

The following represents the Organization’s financial assets at December 31, 2018 and 2017:

Financial assets at year-end:	2018	2017
Cash and cash equivalents	\$ 1,332,513	\$ 1,223,547
Accounts receivable	151,055	97,913
Certificates of deposit	-	307,448
Investments	2,059,881	1,737,401
	<u>3,543,449</u>	<u>3,366,309</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(544,406)	(528,951)
Beneficial interest in asset held by other	(15,702)	(17,348)
Board-designated capital reserves	(144,155)	(144,155)
Financial assets available to meet cash needs for operating expenditures within one year	<u>\$ 2,839,186</u>	<u>\$ 2,675,855</u>

The Organization strives to maintain liquid assets in the form of cash targeted to cover 12 months of normal expenditures. Deposit accounts are maintained in several federally insured institutions. Balances are monitored and redistributed to ensure cash balances do not exceed the FIDIC insured level of \$250,000 at a single institution. Liquid assets in excess of this 12-month level are maintained in an investment account which is managed and reviewed in accordance with board policy. A review of the investment policy and objectives is undertaken no less frequently than annually in conjunction with the review of the Organization’s financial condition and circumstances.

**NOTE D – INVESTMENTS**

Investments consisted of the following as of December 31,

	2018	2017
Cash equivalents	\$ 39,567	\$ -
Equity securities	649,983	273,051
Mutual funds	-	1,442,935
Debt securities	1,354,629	4,067
Beneficial interest in assets held by others	15,702	17,348
	<u>\$ 2,059,881</u>	<u>\$ 1,737,401</u>

The composition of net investment return on the Organization’s investment portfolio for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Interest and dividend income	\$ 56,678	\$ 56,097
Net realized and unrealized gains (losses)	(69,482)	142,298
	<u>\$ (12,804)</u>	<u>\$ 198,395</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

**NOTE E – FAIR VALUE MEASUREMENTS**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in valuation techniques and related inputs.

Money market fund – Valued at the closing price reported on the active market.

Equity securities – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds – Valued using net asset value of shares held at year-end that are actively traded.

Debt securities – Valued using observable inputs such as the bond's par value, maturity dates, and related interest and discount rates as well as quoted prices for similar assets.

Beneficial Interest in Assets Held by Others – Valued at the fair value of the Organization's share of the investment pool held by the Foundation as of the measurement date. The underlying investments held by the Foundation are valued with readily available prices or valued using net asset value of shares held that have a readily available market value.

The fair values of assets measured on a recurring basis are as follows:

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

**NOTE E – FAIR VALUE MEASUREMENTS (continued)**

Fair Value Measurements as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Money market fund	\$ 39,567	\$ -	\$ -	\$ 39,567
Equity securities				
Common stock	373,887	-	-	373,887
Pooled equity funds	267,278	-	-	267,278
Exchange-traded funds	8,818	-	-	8,818
Debt securities				
Treasury and federal	-	267,699	-	267,699
State and municipal	-	503,550	-	503,550
Corporate bonds	-	474,769	-	474,769
Foreign obligation	-	108,611	-	108,611
Beneficial interest	-	-	15,702	15,702
	<u>\$ 689,550</u>	<u>\$ 1,354,629</u>	<u>\$ 15,702</u>	<u>\$ 2,059,881</u>

Fair Value Measurements as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 307,448	\$ -	\$ 307,448
Equity securities				
Common stock	273,051	-	-	273,051
Mutual funds				
Equity	658,883	-	-	658,883
Fixed income	784,052	-	-	784,052
Corporate bonds	-	4,067	-	4,067
Beneficial interest	-	-	17,348	17,348
	<u>\$ 1,715,986</u>	<u>\$ 311,515</u>	<u>\$ 17,348</u>	<u>\$ 2,044,849</u>

Changes in the fair value measurements using significant unobservable inputs (Level 3) consisted of the following as of December 31:

	2018	2017
Beginning balance	\$ 17,348	\$ 32,727
Purchases	-	-
Disbursements	-	(20,000)
Change in value of beneficial interest	(1,646)	4,621
Ending balance	<u>\$ 15,702</u>	<u>\$ 17,348</u>



RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
December 31, 2018 and 2017

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31:

	Estimated Useful Lives	2018	2017
Land	N/A	\$ 230,052	\$ 230,052
Building and improvements	7 - 39 years	2,098,827	2,098,827
Furniture and equipment	3 - 10 years	167,683	166,244
Vehicles	5 years	42,847	42,847
Artwork	7 years	11,025	11,025
		<u>2,550,434</u>	<u>2,548,995</u>
Less: accumulated depreciation		(1,142,857)	(957,198)
		<u>\$ 1,407,577</u>	<u>\$ 1,591,797</u>

**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	2018	2017
Subject to expenditure for specific purpose:		
Ronald McDonald House Share-A-Night	\$ 173,385	\$ 169,443
Ronald McDonald Care Mobile II	292,891	144,485
Ronald McDonald Family Room	59,193	71,059
Ronald McDonald House expansion	10,100	-
Richard Heyer Fund – Family Room	-	132,837
Project Design	6,770	11,127
Coca Cola products	2,067	-
	<u>544,406</u>	<u>528,951</u>
Subject to the Organization’s spending policy and appropriation:		
Original donor-restricted gift amount required to be maintained in perpetuity by donor	5,000	8,096
Not subject to appropriation or expenditure:		
Land required to be used for a Ronald McDonald House	230,052	230,052
Total net assets with donor restrictions	<u>\$ 779,458</u>	<u>\$ 767,099</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
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**NOTE H – NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Ronald McDonald House Share-A-Night	\$ 14,810	\$ 18,500
Ronald McDonald Care Mobile II	90,547	8,369
Ronald McDonald Family Room	11,865	11,301
Richard Heyer Fund – Family Room	132,837	-
Excellence grant	-	30,000
Scholarships	-	6,500
Project Design	4,357	-
Coca Cola products	5,615	9,464
	<u>260,031</u>	<u>84,134</u>
Release of restricted gift amount originally required to be maintained in perpetuity	<u>3,096</u>	<u>-</u>
Total restrictions released	<u>\$ 263,127</u>	<u>\$ 84,134</u>

**NOTE I – LICENSING AGREEMENT**

The Organization entered into an agreement with McDonald's Corporation (the "Corporation") on December 8, 2003 to obtain a license to use the trademarks and copyrights of the Corporation for the purpose of raising funds from public and private sources and making grants to other not-for-profit organizations for the benefit of children in the local area. The term of the license shall continue until terminated by either party, with or without cause, upon 30 days' written notice. The annual fee due under the license is \$1.

Under the terms of the license, the Organization is required to remit to RMHC Global 25% of contributions received through local McDonald's restaurants as a result of national fundraising campaigns. For the year ended December 31, 2017, these contributions are recorded as contributions in the statement of activities and amounts remitted under the agreement were recorded as unallocated payments to RMHC Global expenses in the statement of activities. For the year ended December 31, 2018, the collections from national fundraising campaigns were deposited to RMHC Global and the net contribution was provided to the Organization. The amount received was recorded as contributions in the statement of activities.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements  
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**NOTE J – COMMITMENTS**

The Organization has an agreement with RMHC Global and Healthcare Network of Southwest Florida ("HCNSWFL") for the support of the Ronald McDonald Care Mobile (the "Care Mobile"). Under the terms of the agreement, the Organization will contribute an amount equal to the lesser of 20% of the annual expenses incurred by HCNSWFL in operating the Care Mobile or \$120,000. During the years ended December 31, 2018 and 2017, \$79,273 and \$70,020, respectively, was contributed to the Care Mobile and is included in grants in the statement of functional expenses. The agreement will terminate upon either the termination of the licensing agreement for the Care Mobile between HCNSWFL and RMHC Global or the termination of the agreement between the Organization and RMHC Global.

During 2017, the Organization entered into an agreement with RMHC Global and Family Health Center of Southwest Florida, Inc. (FHCSWFL) for the support of a second Ronald McDonald Care Mobile (the "Care Mobile II") which began operating in January 2018. The initial term of the agreement is five years with automatic consecutive five-year renewal terms and may be terminated with a 90-day written notice by the Organization, FHCSWFL or RHMC Global. Under the terms of the agreement, the Organization will contribute an amount equal to 20% of the annual expenses incurred by FHCSWFL in operating the Care Mobile II. During the year ended December 31, 2018, \$90,000 was contributed to the Care Mobile II and is included in grants in the statement of functional expenses.

The Organization awards scholarships to eligible students each year. The scholarships awarded are one-year scholarships or four-year scholarships. The receipt of the scholarship award in future years is contingent upon verification of the student's enrollment and good standing with the education institution. As of December 31, 2018, the Organization's scholarship commitments to students in future years are as follows: \$6,000 in 2019, \$5,000 in 2020, and \$2,000 in 2021.

Subsequent to year-end, the Organization entered into contracts for architectural and engineering services totaling approximately \$100,000 and approved a commitment of up to \$1 million of working capital to a house expansion capital campaign.

**NOTE K – CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances and certificates of deposit at various financial institutions. Cash accounts and certificates of deposit at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Also, money market funds held in the investment account are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000. As of December 31, 2018, and 2017, there were no uninsured balances within cash accounts, certificate of deposits, or money market funds.

**NOTE L – SIMPLE IRA PLAN**

The Organization has established a Simple IRA Plan for eligible employees. The Organization makes a dollar-for-dollar match of employee elective deferrals up to 3% of the employee's compensation. For the years ended December 31, 2018 and 2017, the Organization contributed \$8,400 and \$5,571, respectively, in matching contributions which is included in payroll and benefits in the statement of functional expenses.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

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**NOTE M – ECONOMIC DEPENDENCY**

The Organization received approximately 22% and 19% of its revenue from the Storybook Ball event, during the years ended December 31, 2018 and 2017, respectively. In addition, the Organization received approximately 12% of its revenue from the annual Golf Tournament event during the year ended December 31, 2018.