

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

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

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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 statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses 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 2017 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, 2017, 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.

Prior Period Financial Statements

The financial statements of Ronald McDonald House Charities of Southwest Florida, Inc. as of December 31, 2016, were audited by other auditors whose report dated July 20, 2017, expressed an unmodified opinion on those financial statements.

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

HUGHES, SNELL & CO., P.A.

Fort Myers, Florida
July 13, 2018

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statements of Financial Position
December 31, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,223,547	\$ 928,824
Accounts receivable	97,913	44,767
Prepaid expenses	36,650	42,367
Investments		
Certificates of deposit	307,448	318,453
Other investments	1,737,401	1,567,196
Property and equipment, net	<u>1,591,797</u>	<u>1,783,596</u>
Total Assets	<u>\$ 4,994,756</u>	<u>\$ 4,685,203</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 61,247	\$ 56,330
Deferred revenue	63,491	104,150
Total Liabilities	<u>124,738</u>	<u>160,480</u>
NET ASSETS		
Unrestricted net assets		
Undesignated	2,366,967	1,936,203
Board designated	144,155	144,155
Equity in property and equipment	<u>1,591,797</u>	<u>1,783,596</u>
Unrestricted net assets	4,102,919	3,863,954
Temporarily restricted assets	528,951	422,621
Permanently restricted assets	238,148	238,148
Total Net Assets	<u>4,870,018</u>	<u>4,524,723</u>
Total Liabilities and Net Assets	<u>\$ 4,994,756</u>	<u>\$ 4,685,203</u>

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statement of Activities
Year Ended December 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES AND SUPPORT				
Gross proceeds from fund raising events	\$ 582,633	\$ 86,686	\$ -	\$ 669,319
Less direct costs	<u>(275,337)</u>	<u>-</u>	<u>-</u>	<u>(275,337)</u>
Net proceeds from fund raising events	307,296	86,686	-	393,982
Contributions - general	476,039	101,638	-	577,677
Contributions - restaurant canisters	185,308	-	-	185,308
Contributions - Happy Meals	53,018	-	-	53,018
Guest donations	-	2,140	-	2,140
In-kind contributions	44,049	-	-	44,049
Interest and dividends	56,097	-	-	56,097
Unrealized gain on investments	115,092	-	-	115,092
Realized gain on investments	27,206	-	-	27,206
Net assets released from restrictions	<u>84,134</u>	<u>(84,134)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>1,348,239</u>	<u>106,330</u>	<u>-</u>	<u>1,454,569</u>
EXPENSES				
Program services	654,915	-	-	654,915
General and administrative	184,905	-	-	184,905
Fund raising	237,347	-	-	237,347
Unallocated payments to RMHC Global	<u>32,107</u>	<u>-</u>	<u>-</u>	<u>32,107</u>
Total Expenses	<u>1,109,274</u>	<u>-</u>	<u>-</u>	<u>1,109,274</u>
Change in Net Assets	238,965	106,330	-	345,295
NET ASSETS, BEGINNING OF YEAR	<u>3,863,954</u>	<u>422,621</u>	<u>238,148</u>	<u>4,524,723</u>
NET ASSETS, END OF YEAR	<u>\$ 4,102,919</u>	<u>\$ 528,951</u>	<u>\$ 238,148</u>	<u>\$ 4,870,018</u>

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

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Statement of Activities
Year Ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES AND SUPPORT				
Gross proceeds from fund raising events	\$ 481,959	\$ 27,225	\$ -	\$ 509,184
Less direct costs	<u>(267,756)</u>	<u>-</u>	<u>-</u>	<u>(267,756)</u>
Net proceeds from fund raising events	214,203	27,225	-	241,428
Contributions - general	425,134	200,033	-	625,167
Contributions - restaurant canisters	193,736	-	-	193,736
Contributions - Happy Meals	34,295	-	-	34,295
Guest donations	-	5,500	-	5,500
In-kind contributions	1,141,286	-	230,052	1,371,338
Interest and dividends	46,835	-	-	46,835
Unrealized gain on investments	36,420	-	-	36,420
Realized gain on investments	2,584	-	-	2,584
Net assets released from restrictions	<u>163,114</u>	<u>(163,114)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>2,257,607</u>	<u>69,644</u>	<u>230,052</u>	<u>2,557,303</u>
EXPENSES				
Program services	616,748	-	-	616,748
General and administrative	180,106	-	-	180,106
Fund raising	312,508	-	-	312,508
Unallocated payments to RMHC Global	<u>39,936</u>	<u>-</u>	<u>-</u>	<u>39,936</u>
Total Expenses	<u>1,149,298</u>	<u>-</u>	<u>-</u>	<u>1,149,298</u>
Change in Net Assets	1,108,309	69,644	230,052	1,408,005
NET ASSETS, BEGINNING OF YEAR	<u>2,755,645</u>	<u>352,977</u>	<u>8,096</u>	<u>3,116,718</u>
NET ASSETS, END OF YEAR	<u>\$ 3,863,954</u>	<u>\$ 422,621</u>	<u>\$ 238,148</u>	<u>\$ 4,524,723</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Fund raising revenue received	\$ 598,378	\$ 562,730
Contributions received	767,123	905,122
Guest donations received	2,140	5,500
Interest received	5,535	11,006
Payments to employees and related expenses	(344,851)	(340,242)
Payments for expenditures	<u>(790,881)</u>	<u>(872,722)</u>
Net Cash Provided by Operating Activities	<u>237,444</u>	<u>271,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,397)	(46,303)
Proceeds from redemption of bond	-	50,000
Proceeds from redemption of certificates of deposit	211,429	150,000
Purchase of certificate of deposit	(200,000)	-
Purchases of investments	(163,308)	(411,601)
Proceeds from sale of investments	<u>211,555</u>	<u>2,305</u>
Net Cash Provided by (Used in) Investing Activities	<u>57,279</u>	<u>(255,599)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	294,723	15,795
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>928,824</u>	<u>913,029</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,223,547</u>	<u>\$ 928,824</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	\$ 345,295	\$ 1,408,005
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	194,196	167,085
Loss on disposal of fixed assets	-	30,162
Non cash contributions of assets	(26,016)	(1,345,413)
Unrealized gain on investments	(115,092)	(36,420)
Realized gain on investments	(27,206)	(2,584)
Interest and dividend reinvestment	(50,138)	(35,829)
Accrued interest	(424)	-
Changes in:		
Accounts receivable	(53,146)	25,999
Prepaid expenses	5,717	(8,207)
Accounts payable and accrued expenses	4,917	15,050
Deferred revenue	(40,659)	53,546
Total Adjustments	<u>(107,851)</u>	<u>(1,136,611)</u>
Net Cash Provided by Operating Activities	<u>\$ 237,444</u>	<u>\$ 271,394</u>

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

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
EXPENSES				
Payroll and benefits	\$ 138,483	\$ 102,042	\$ 83,872	\$ 324,397
Payroll taxes	<u>12,676</u>	<u>6,036</u>	<u>5,433</u>	<u>24,145</u>
Total Salaries and Related Expenses	151,159	108,078	89,305	348,542
Fund raising	-	-	95,955	95,955
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	<u>165,066</u>	<u>19,420</u>	<u>9,710</u>	<u>194,196</u>
Total Expenses	<u>\$ 654,915</u>	<u>\$ 184,905</u>	<u>\$ 237,347</u>	<u>\$ 1,077,167</u>

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, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
EXPENSES				
Payroll and benefits	\$ 122,175	\$ 104,419	\$ 86,853	\$ 313,447
Payroll taxes	<u>9,993</u>	<u>7,306</u>	<u>6,470</u>	<u>23,769</u>
Total Salaries and Related Expenses	132,168	111,725	93,323	337,216
Fund raising	-	-	92,067	92,067
Marketing	5,303	15,900	-	21,203
Canister collections	-	-	33,990	33,990
Insurance	31,026	3,855	-	34,881
Office	18,737	400	5,920	25,057
Outside service contracts	19,218	3,348	-	22,566
Professional fees in-kind	10,769	14,013	-	24,782
Repair and maintenance	18,064	1,112	40	19,216
Supplies	28,507	-	-	28,507
Travel and entertainment	2,405	1,039	98	3,542
Utilities	19,186	3,327	1,556	24,069
Volunteer	4,580	-	160	4,740
Grants	143,641	-	3,440	147,081
Project design	9,351	-	75,945	85,296
Miscellaneous	1,609	324	5,969	7,902
Depreciation	142,022	25,063	-	167,085
Loss on disposal of fixed assets	<u>30,162</u>	<u>-</u>	<u>-</u>	<u>30,162</u>
Total Expenses	<u>\$ 616,748</u>	<u>\$ 180,106</u>	<u>\$ 312,508</u>	<u>\$ 1,109,362</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, 2017 and 2016

NOTE A – THE ORGANIZATION

Ronald McDonald House Charities of Southwest Florida, Inc. (the "Organization") is a not-for-profit corporation organized on September 23, 2003. The mission of the Organization is to provide temporary housing for seriously ill children and their families while the children are receiving treatment at nearby hospitals and to make grants to other not-for-profit organizations for the benefit of children in and around the local area.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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, 2017 or 2016. All receivables owed by donors are expected to be received within one year.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities and a beneficial interest in assets held by others. Investments are carried at fair value and realized, and unrealized gains and losses are reflected in the statement 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.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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 2017 or 2016.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization is a not-for-profit Florida corporation, and therefore, is not subject to state income taxes. 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 no uncertain tax positions that are material to the financial statements. Therefore, no provision for uncertain tax positions has been recorded. If required, interest and penalties associated with uncertain tax positions would be recognized in income tax expense. Currently, the last three tax years are open and subject to examination by the Internal Revenue Service.

Compensated Absences

The Organization accumulates and records a liability for compensated absences accrued by employees. As of December 31, 2017, and 2016, unused leave in the amounts of \$16,847 and \$13,321, respectively, have been accrued and are included in accounts payable and accrued expenses in the statement of financial position.

Deferred Revenue

Deferred revenue consists primarily of 2018 and 2017 fund raising sponsorships received by the Organization prior to January 1, 2018 and 2017, respectively.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

Substantially all of the Organization's assets and liabilities, excluding prepaid expenses, property and equipment and deferred revenue, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument.

Revenues and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or a 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.

Contributed Services, Materials and Land

Contributed services, materials and land are recorded as contributions in the accompanying financial statements at their estimated fair value on the date of receipt. Contributions of services are recognized 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 years ended December 31, 2017 and 2016, the Organization recognized in-kind services in the amount of \$11,145 and \$726,877, respectively. For the years ended December 31, 2017 and 2016, the Organization recognized in-kind contributions of materials and supplies of \$44,049 and \$414,409, respectively. During the year ended December 31, 2016, the Organization's received donated land of \$230,052.

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.

The Organization made no cash payments for income tax or interest during the years ended December 31, 2017 or 2016.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on a time study of employee duties and utilization of the facility.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 13, 2018, the date that the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE C – OTHER INVESTMENTS

Other investments consisted of the following as of December 31,

	2017	2016
Equity securities	\$ 273,051	\$ 222,655
Mutual funds		
Equity	658,883	543,884
Fixed income	784,052	763,709
Corporate bonds	4,067	4,221
Beneficial interest in assets held by others	17,348	32,727
	<u>\$ 1,737,401</u>	<u>\$ 1,567,196</u>

NOTE D – FAIR VALUE MEASUREMENTS

Professional standards have established a framework for measuring fair value and that framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE D – FAIR VALUE MEASUREMENTS (continued)

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for *substantially the full term of the asset or liability*.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level or any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used at December 31, 2017.

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. The mutual funds held by the Organization are actively traded.

Corporate bonds – Valued using observable inputs such as the bond's par value, maturity dates, and related interest and discount rates.

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 following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

Fair Value Measurements as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 307,448	\$ -	\$ 307,448
Equity securities	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>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE D – FAIR VALUE MEASUREMENTS (continued)

Fair Value Measurements as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 318,453	\$ -	\$ 318,453
Equity securities	222,655	-	-	222,655
Mutual funds				
Equity	543,884	-	-	543,884
Fixed income	763,709	-	-	763,709
Corporate bonds	-	4,221	-	4,221
Beneficial interest	-	-	32,727	32,727
	<u>\$ 1,530,248</u>	<u>\$ 322,674</u>	<u>\$ 32,727</u>	<u>\$ 1,885,649</u>

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

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 32,727	\$ 32,050
Purchases	-	-
Disbursements	(20,000)	-
Change in value of beneficial interest	4,621	677
Ending balance	<u>\$ 17,348</u>	<u>\$ 32,727</u>

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Ronald McDonald Retrofit	\$ 36,956	\$ -
Sponsorships for golf tournament	26,400	-
Canister collections	19,209	16,688
Global Luminare	7,671	-
“365” fund raising event	4,249	3,635
Lovin McHappy Day	-	19,249
Hearts for the House	-	5,195
Other	3,428	-
	<u>\$ 97,913</u>	<u>\$ 44,767</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE F – PROPERTY AND EQUIPMENT

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

	Estimated Useful Lives	2017	2016
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	166,244	168,205
Vehicles	5 years	42,847	42,847
Artwork	7 years	11,025	11,025
		<u>2,548,995</u>	<u>2,550,956</u>
Less: accumulated depreciation		<u>(957,198)</u>	<u>(767,360)</u>
		<u>\$ 1,597,797</u>	<u>\$ 1,783,596</u>

NOTE G – BOARD DESIGNATED NET ASSETS

Board designated net assets consist of amounts designated by the Board for a capital reserve fund and amounted to \$144,155 as of December 31, 2017 and 2016.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31:

Purpose	2017	2016
Building expansion	\$ 132,837	\$ 132,584
Share-A-Night	169,443	163,477
Coca-Cola products	-	1,782
Care Mobile – Lee County	144,485	109,991
Family room	71,059	3,660
Project design	11,127	11,127
	<u>\$ 528,951</u>	<u>\$ 422,621</u>

NOTE I – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of donated land and funds for which the principal is required to be held in perpetuity for the benefit of the Organization. Income from these restricted funds may be used for operating expenses. The Organization received donated land during the year ended December 31, 2016 that must be used for the Ronald McDonald House. The deed contains a repurchase option restricting the Organization from selling the land or leasing the land for more than 10 years without prior consent of the donor.

Permanently restricted net assets consist of the following as of December 31,

	2017	2016
Restricted funds	\$ 8,096	\$ 8,096
Donated land	<u>230,052</u>	<u>230,052</u>
	<u>\$ 238,148</u>	<u>\$ 238,148</u>

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE J – FUND RAISING EVENTS

Revenues and direct costs associated with fund raising events during the year ended December 31, 2017 consisted of the following:

	<u>Revenues</u>	<u>Direct costs</u>	<u>Net Proceeds</u>
Storybook Ball	\$ 336,449	\$ 132,559	\$ 203,890
Golf tournament	128,605	48,834	79,771
Offshore Rodeo and Reggae	122,482	57,202	65,280
Eat Clay Love	38,774	21,643	17,131
Brew Ha Ha	28,344	10,553	17,791
World Wine Tour	14,665	4,546	10,119
	<u>\$ 669,319</u>	<u>\$ 275,337</u>	<u>\$ 393,982</u>

Revenues and direct costs associated with fund raising events during the year ended December 31, 2016 consisted of the following:

	<u>Revenues</u>	<u>Direct costs</u>	<u>Net Proceeds</u>
Storybook Ball	\$ 265,855	\$ 154,661	\$ 111,194
Golf tournament	72,656	32,920	39,736
Offshore Rodeo and Reggae	133,625	65,778	67,847
Brew Ha Ha	26,683	8,247	18,436
World Wine Tour	10,365	6,150	4,215
	<u>\$ 509,184</u>	<u>\$ 267,756</u>	<u>\$ 241,428</u>

NOTE K – 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 years ended December 31, 2017 and 2016, these contributions are recorded as contributions - restaurant canisters and contributions - Happy Meals in the statement of activities. Amounts remitted under the agreement are recorded as unallocated payments to RMHC Global expenses in the statement of activities.

RONALD MCDONALD HOUSE CHARITIES OF SOUTHWEST FLORIDA, INC.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE L – 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, 2017 and 2016, \$70,020 and \$105,681, 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.

The Organization has an agreement with CLA Landscaping, Inc. for lawn care service, expiring on September 30, 2019. The agreement automatically renews on a monthly basis thereafter.

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, 2017, the Organization's scholarship commitments to students in future years are as follows: \$5,000 in 2018, \$4,000 in 2019, and \$3,000 in 2020. Subsequent to year-end, the Organization awarded eight new scholarships which are payable to students as follows: \$8,000 in 2018 and \$2,000 each year in 2019, 2020, and 2021.

NOTE M – 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. As of December 31, 2017, and 2016, there were no uninsured balances within cash accounts or certificate of deposits.

As of December 31, 2016, there were cash and cash equivalents balances held at investment services companies totaling \$2,162 that were not insured by the FDIC. There was no uninsured cash and cash equivalents balances held at investment services companies as of December 31, 2017.

NOTE N – 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, 2017 and 2016, the Organization contributed \$5,571 and \$6,876, 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.

Notes to Financial Statements
December 31, 2017 and 2016

NOTE O – ECONOMIC DEPENDENCY

The Organization received approximately 19% and 10% of its revenue from the Storybook Ball event, during the years ended December 31, 2017 and 2016, respectively.