

**RONALD MCDONALD HOUSE  
CHARITIES® OF JACKSONVILLE, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**



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**Ronald McDonald House Charities of Jacksonville, Inc.**  
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## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Directors  
Ronald McDonald House Charities® of Jacksonville, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ronald McDonald House Charities® of Jacksonville, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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 Jacksonville, Inc. as of December 31, 2017 and 2016, 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.

*Caru, Riggs & Ingram, L.L.C.*

Jacksonville, Florida

July 2, 2018

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Statements of Financial Position**

| <i>December 31,</i>                                  | <b>2017</b>          | <b>2016</b>          |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Cash and cash equivalents                            | \$ 1,002,493         | \$ 1,157,563         |
| Contributions and other receivables                  | 36,637               | 18,462               |
| Pledges receivable (Note 3)                          | 746,973              | 1,097,786            |
| Prepaid expenses and other                           | 18,355               | 34,476               |
| Investments, at fair value (Notes 2 and 4)           | 6,070,747            | 5,710,532            |
| Property and equipment, net of depreciation (Note 7) | 17,841,649           | 17,185,001           |
| <b>TOTAL ASSETS</b>                                  | <b>\$ 25,716,854</b> | <b>\$ 25,203,820</b> |
| <b>LIABILITIES AND NET ASSETS</b>                    |                      |                      |
| <b>Liabilities:</b>                                  |                      |                      |
| Accounts payable and accrued expenses                | \$ 232,531           | \$ 206,366           |
| Deferred revenue                                     | 60,000               | 100,000              |
| Bank line of credit (Note 8)                         | 1,698,025            | 1,619,000            |
| Capital lease obligation (Note 9)                    | 7,245                | 10,064               |
| <b>Total liabilities</b>                             | <b>1,997,801</b>     | <b>1,935,430</b>     |
| <b>Net assets:</b>                                   |                      |                      |
| Unrestricted   | 21,255,302           | 20,477,982           |
| Temporarily restricted (Note 10)                     | 249,345              | 576,002              |
| Permanently restricted (Note 10)                     | 2,214,406            | 2,214,406            |
| <b>Total net assets</b>                              | <b>23,719,053</b>    | <b>23,268,390</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>              | <b>\$ 25,716,854</b> | <b>\$ 25,203,820</b> |

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

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Statement of Activities**

| <i>Year Ended December 31, 2017</i>   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|---|----------------------|---------------------------|---------------------------|----------------------|
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>  |                      |                           |                           |                      |
| Contributions and grants  | \$ 1,258,057         | \$ -                      | \$ -                      | \$ 1,258,057         |
| Capital campaign contributions  | -                    | 746,504                   | -                         | 746,504              |
| United Way contributions  | 19,764               | -                         | -                         | 19,764               |
| Room contributions  | 80,085               | -                         | -                         | 80,085               |
| In-kind contributions   | 215,278              | -                         | -                         | 215,278              |
| Gross revenues from special events  | 760,455              | -                         | -                         | 760,455              |
| Less direct benefit costs   | (273,562)            | -                         | -                         | (273,562)            |
| Net revenue from special events   | 486,893              | -                         | -                         | 486,893              |
| Investment income, net of fees  | 99,910               | 56,938                    | -                         | 156,848              |
| Net realized investment gains   | 174,310              | 8,012                     | -                         | 182,322              |
| Net unrealized investment gains   | 257,835              | 161,559                   | -                         | 419,394              |
| Loss on disposal of property and equipment  | (40,152)             | -                         | -                         | (40,152)             |
| Other income  | 4,534                | -                         | -                         | 4,534                |
| <b>Total revenues, gains and other support before<br/>net assets released from restrictions</b> | <b>2,556,514</b>     | <b>973,013</b>            | <b>-</b>                  | <b>3,529,527</b>     |
| Net assets released from restrictions --<br>satisfaction of donor restrictions                  | 1,299,670            | (1,299,670)               | -                         | -                    |
| <b>Total revenues, gains and other support</b>  | <b>3,856,184</b>     | <b>(326,657)</b>          | <b>-</b>                  | <b>3,529,527</b>     |
| <b>EXPENSES</b>   |                      |                           |                           |                      |
| Program services  | 2,316,444            | -                         | -                         | 2,316,444            |
| Supporting services:  |                      |                           |                           |                      |
| Management and general  | 326,566              | -                         | -                         | 326,566              |
| Fundraising   | 423,245              | -                         | -                         | 423,245              |
| Total supporting services   | 749,811              | -                         | -                         | 749,811              |
| <b>Total functional expenses</b>  | <b>3,066,255</b>     | <b>-</b>                  | <b>-</b>                  | <b>3,066,255</b>     |
| Payments to RMHC Global, net of refund  | 12,609               | -                         | -                         | 12,609               |
| <b>Total expenses</b>   | <b>3,078,864</b>     | <b>-</b>                  | <b>-</b>                  | <b>3,078,864</b>     |
| <b>Change in net assets</b>   | <b>777,320</b>       | <b>(326,657)</b>          | <b>-</b>                  | <b>450,663</b>       |
| Net assets, beginning of year   | 20,477,982           | 576,002                   | 2,214,406                 | 23,268,390           |
| <b>Net assets, end of year</b>  | <b>\$ 21,255,302</b> | <b>\$ 249,345</b>         | <b>\$ 2,214,406</b>       | <b>\$ 23,719,053</b> |

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

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Statement of Activities**

| <i>Year Ended December 31, 2016</i>   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|---|----------------------|---------------------------|---------------------------|----------------------|
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>  |                      |                           |                           |                      |
| Contributions and grants  | \$ 783,557           | \$ 7,000                  | \$ 275                    | \$ 790,832           |
| Capital campaign contributions  | -                    | 1,223,829                 | -                         | 1,223,829            |
| United Way contributions  | 19,764               | -                         | -                         | 19,764               |
| Room contributions  | 34,706               | -                         | -                         | 34,706               |
| In-kind contributions   | 427,081              | -                         | -                         | 427,081              |
| Gross revenues from special events  | 637,375              | -                         | -                         | 637,375              |
| Less direct benefit costs   | (184,400)            | -                         | -                         | (184,400)            |
| Net revenue from special events   | 452,975              | -                         | -                         | 452,975              |
| Investment income, net of fees  | 86,992               | 40,685                    | -                         | 127,677              |
| Net realized investment gains (losses)  | 38,881               | (3,745)                   | -                         | 35,136               |
| Net unrealized investment gains   | 37,000               | 27,859                    | -                         | 64,859               |
| Loss on disposal of property and equipment  | (34,418)             | -                         | -                         | (34,418)             |
| Other income  | 3,074                | -                         | -                         | 3,074                |
| <b>Total revenues, gains and other support before<br/>net assets released from restrictions</b> | <b>1,849,612</b>     | <b>1,295,628</b>          | <b>275</b>                | <b>3,145,515</b>     |
| Net assets released from restrictions --<br>satisfaction of donor restrictions                  | 1,673,868            | (1,673,868)               | -                         | -                    |
| <b>Total revenues, gains and other support</b>  | <b>3,523,480</b>     | <b>(378,240)</b>          | <b>275</b>                | <b>3,145,515</b>     |
| <b>EXPENSES</b>   |                      |                           |                           |                      |
| Program services  | 1,881,925            | -                         | -                         | 1,881,925            |
| Supporting services:  |                      |                           |                           |                      |
| Management and general  | 255,251              | -                         | -                         | 255,251              |
| Fundraising   | 430,841              | -                         | -                         | 430,841              |
| Total supporting services   | 686,092              | -                         | -                         | 686,092              |
| <b>Total functional expenses</b>  | <b>2,568,017</b>     | <b>-</b>                  | <b>-</b>                  | <b>2,568,017</b>     |
| Payments to RMHC Global, net of refund  | 16,773               | -                         | -                         | 16,773               |
| <b>Total expenses</b>   | <b>2,584,790</b>     | <b>-</b>                  | <b>-</b>                  | <b>2,584,790</b>     |
| <b>Change in net assets</b>   | <b>938,690</b>       | <b>(378,240)</b>          | <b>275</b>                | <b>560,725</b>       |
| Net assets, beginning of year   | 19,539,292           | 954,242                   | 2,214,131                 | 22,707,665           |
| <b>Net assets, end of year</b>  | <b>\$ 20,477,982</b> | <b>\$ 576,002</b>         | <b>\$ 2,214,406</b>       | <b>\$ 23,268,390</b> |

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

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Statement of Functional Expenses**

| <i>Year Ended December 31, 2017</i>   | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>Total</b>        |
|---------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| <b>Salaries and related expenses:</b> |                             |                                   |                    |                     |
| Salaries                              | \$ 670,556                  | \$ 172,249                        | \$ 265,929         | \$ 1,108,734        |
| Payroll taxes and benefits            | 132,397                     | 36,187                            | 28,309             | 196,893             |
| Total salaries and related expenses   | 802,953                     | 208,436                           | 294,238            | 1,305,627           |
| <b>Other expenses:</b>                |                             |                                   |                    |                     |
| Program supplies and expense          | 323,619                     | 4,123                             | 249                | 327,991             |
| Professional fees                     | 10,782                      | 13,194                            | 29,413             | 53,389              |
| Contract services                     | 95,467                      | 1,276                             | 2,287              | 99,030              |
| Printing and publications             | 7,452                       | 1,491                             | 5,962              | 14,905              |
| Office supplies and expense           | 2,145                       | 3,052                             | 1,718              | 6,915               |
| Postage and shipping                  | 631                         | 947                               | 3,544              | 5,122               |
| Computer and information technology   | 10,647                      | 7,986                             | 7,986              | 26,619              |
| Occupancy                             | 126,887                     | 1,295                             | 1,295              | 129,477             |
| Maintenance and repairs               | 80,439                      | -                                 | -                  | 80,439              |
| Telephone                             | 25,889                      | 1,680                             | 600                | 28,169              |
| Travel and lodging                    | 5,707                       | 4,086                             | 1,910              | 11,703              |
| Meetings, training and seminars       | 1,064                       | 6,486                             | 1,258              | 8,808               |
| Insurance                             | 81,493                      | 1,698                             | 1,698              | 84,889              |
| Rent                                  | 2,890                       | -                                 | -                  | 2,890               |
| Fundraising expenses - indirect       | -                           | 310                               | 49,937             | 50,247              |
| Bank charges and interest             | 1,892                       | 57,382                            | 10,910             | 70,184              |
| Dues and subscriptions                | 777                         | 5,118                             | 2,034              | 7,929               |
| Taxes and licenses - other            | 1,262                       | 325                               | 430                | 2,017               |
| Depreciation                          | 733,017                     | 7,480                             | 7,480              | 747,977             |
| Miscellaneous                         | 1,431                       | 201                               | 296                | 1,928               |
| Total other expenses                  | 1,513,491                   | 118,130                           | 129,007            | 1,760,628           |
| <b>Total functional expenses</b>      | <b>\$ 2,316,444</b>         | <b>\$ 326,566</b>                 | <b>\$ 423,245</b>  | <b>\$ 3,066,255</b> |

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



**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Statement of Functional Expenses**

| <i>Year Ended December 31, 2016</i>   | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>Total</b>        |
|---------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| <b>Salaries and related expenses:</b> |                             |                                   |                    |                     |
| Salaries                              | \$ 618,785                  | \$ 135,416                        | \$ 265,616         | \$ 1,019,817        |
| Payroll taxes and benefits            | 119,164                     | 29,830                            | 36,314             | 185,308             |
| Total salaries and related expenses   | 737,949                     | 165,246                           | 301,930            | 1,205,125           |
| <b>Other expenses:</b>                |                             |                                   |                    |                     |
| Program supplies and expense          | 208,172                     | 4,940                             | -                  | 213,112             |
| Professional fees                     | 24,371                      | 8,061                             | 44,628             | 77,060              |
| Contract services                     | 94,907                      | 1,315                             | 1,315              | 97,537              |
| Printing and publications             | 12,517                      | 2,504                             | 10,014             | 25,035              |
| Office supplies and expense           | 3,576                       | 1,619                             | 1,378              | 6,573               |
| Postage and shipping                  | 621                         | 1,002                             | 7,676              | 9,299               |
| Computer and information technology   | 7,357                       | 5,517                             | 5,517              | 18,391              |
| Occupancy                             | 130,518                     | 1,332                             | 1,332              | 133,182             |
| Maintenance and repairs               | 54,993                      | -                                 | -                  | 54,993              |
| Telephone                             | 21,957                      | 1,761                             | 643                | 24,361              |
| Travel and lodging                    | 6,643                       | 3,438                             | 3,723              | 13,804              |
| Meetings, training and seminars       | 962                         | 9,936                             | 694                | 11,592              |
| Insurance                             | 69,564                      | 710                               | 710                | 70,984              |
| Rent                                  | 6,938                       | -                                 | 244                | 7,182               |
| Fundraising expenses - indirect       | -                           | -                                 | 34,751             | 34,751              |
| Bank charges and interest             | 998                         | 34,673                            | 8,968              | 44,639              |
| Dues and subscriptions                | 566                         | 5,798                             | 991                | 7,355               |
| Taxes and licenses - other            | 204                         | 295                               | 350                | 849                 |
| Depreciation                          | 495,107                     | 5,052                             | 5,052              | 505,211             |
| Miscellaneous                         | 4,005                       | 2,052                             | 925                | 6,982               |
| Total other expenses                  | 1,143,976                   | 90,005                            | 128,911            | 1,362,892           |
| <b>Total functional expenses</b>      | <b>\$ 1,881,925</b>         | <b>\$ 255,251</b>                 | <b>\$ 430,841</b>  | <b>\$ 2,568,017</b> |

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

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Statements of Cash Flows**

| <i>Year Ended December 31,</i>  | <b>2017</b>         | <b>2016</b>         |
|---|---------------------|---------------------|
| <b>Cash flow from operating activities:</b>   |                     |                     |
| Change in net assets  | \$ 450,663          | \$ 560,725          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation  | 747,977             | 505,211             |
| Loss on disposal of property and equipment  | 40,152              | 34,418              |
| Decrease in provision for uncollectible pledges   | -                   | (40,000)            |
| Donated securities  | (49,969)            | (249,908)           |
| Proceeds from sale of donated securities  | 55,902              | 244,324             |
| Donated property and equipment  | (25,585)            | (250,045)           |
| Net realized and unrealized gains on investments  | (601,716)           | (99,995)            |
| (Increase) decrease in operating assets:  |                     |                     |
| Contributions and other receivables   | (18,175)            | (1,033)             |
| Pledges receivable  | 350,813             | 626,721             |
| Prepaid expenses and other  | 16,121              | (18,047)            |
| Increase (decrease) in operating liabilities:   |                     |                     |
| Accounts payable and accrued expenses   | 26,165              | (1,176,655)         |
| Deferred revenue  | (40,000)            | 100,000             |
| <b>Net cash provided by operating activities</b>  | <b>952,348</b>      | <b>235,716</b>      |
| <b>Cash flow from investing activities:</b>   |                     |                     |
| Acquisition of property and equipment   | (1,419,191)         | (3,234,587)         |
| Proceeds from sale of investments   | 2,392,099           | 1,901,841           |
| Purchase of investments   | (2,156,532)         | (1,636,392)         |
| <b>Net cash used for investing activities</b>   | <b>(1,183,624)</b>  | <b>(2,969,138)</b>  |
| <b>Cash flow from financing activities:</b>   |                     |                     |
| Net borrowings under bank line of credit  | 79,025              | 1,619,000           |
| Principal payments on capital lease obligation  | (2,819)             | (2,596)             |
| <b>Net cash provided by financing activities</b>  | <b>76,206</b>       | <b>1,616,404</b>    |
| <b>Net decrease in cash and cash equivalents</b>  | <b>(155,070)</b>    | <b>(1,117,018)</b>  |
| Cash and cash equivalents, beginning of year  | 1,157,563           | 2,274,581           |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 1,002,493</b> | <b>\$ 1,157,563</b> |

**Supplemental disclosure of cash flow information:** See Note 18.

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

## Ronald McDonald House Charities of Jacksonville, Inc. Notes to Financial Statements

### NOTE 1: ORGANIZATION AND NATURE OF ACTIVITIES

Ronald McDonald House Charities® of Jacksonville, Inc. (the “Organization”) is a nonprofit corporation established to support the health and well-being of children by providing lodging and other services for critically ill, chronically ill and seriously injured children and their families. The Organization is licensed by McDonald’s Corporation as an independent chapter of Ronald McDonald House Charities®, Inc.

The Organization operates a Ronald McDonald House® (the “House”) in Jacksonville, Florida which is designed to provide lodging and other support services to families who have children with serious illnesses or injuries admitted to Jacksonville area hospitals and clinics. The Organization also operates a Ronald McDonald Family Room® at an area hospital, which includes a volunteer-staffed family room and kitchen for patients and families to use during their hospital stay.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and accompanying notes are representations of the Organization’s management. Accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the financial statements.

#### Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities. The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

- **Unrestricted net assets** represent resources generated from operations or that are not subject to donor-imposed restrictions.
- **Temporarily restricted net assets** consist of contributed funds subject to specific donor-imposed restrictions that will be met by actions of the Organization and/or specific performance of a future event or the passage of time.
- **Permanently restricted net assets** are subject to donor-imposed restrictions requiring that the assets be maintained in perpetuity by the Organization. Generally, the donors of permanently restricted assets permit the use of all or part of the investment income earned on related investments to fund general or specific organizational expenses or purposes.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

*Investments*

The Organization's investments in equity and marketable securities with readily determinable fair values and all debt securities are recorded at fair value based upon quoted market prices. Investment income or loss (including gains and losses on investments and interest and dividends) is accounted for as a change in unrestricted net assets, unless previously restricted by donor specifications or law. Realized gains and losses on disposition of investments are determined by comparison to specific cost of acquisition to proceeds at the time of disposal. Unrealized gains and losses are calculated by comparing cost to market values at the statement of financial position date, and are reported as a change in the appropriate net assets class dependent on restrictions, if any. Investments donated to the Organization are recorded at their fair value on the date of the gift. It is the Organization's policy to sell donated securities immediately upon receipt, and accordingly, for purposes of the statement of cash flows, the proceeds from the sale of donated securities are reported as cash flows from operating activities.

*Contributions, Pledges and Unconditional Promises to Give*

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 not restricted by the donor is reported as an increase in unrestricted net assets. All other donor-restricted support 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.

Pledges receivable and unconditional promises to give are recognized as revenue when the donor commits the gift or pledge. Conditional promises to give are recognized as revenue when the specified conditions are substantially met and the promises become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a credit risk adjusted discount rate of return appropriate for the expected term of the promise to give.

An allowance for uncollectible pledges is provided when, in the opinion of management, collection of pledges is considered doubtful based on such factors as historical losses, existing economic conditions, and the financial stability of its donors. At December 31, 2017 and 2016, an allowance for uncollectible pledges of \$40,000 was recorded for both years.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

*Property and Equipment*

The Organization capitalizes all expenditures for property, equipment and improvements in excess of \$1,000. Purchased property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the respective assets. Ordinary repairs and maintenance are charged to expense when incurred. Donations of property and equipment are recorded as support at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

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 temporarily restricted net assets at that time.

The Organization evaluates the carrying value of its long-lived assets for impairment. Recoverability is measured by the expected undiscounted future cash flows of the assets compared to their net book value. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is charged to current earnings. Fair value is based on discounted cash flows of the assets at a rate determined to be reasonable for the type of asset and prevailing market conditions, appraisals, and, if appropriate, current estimated net sales proceeds from pending offers. The Organization evaluates the carrying value based on its present plans for the long-lived assets. No impairments were recognized during 2017 or 2016.

*Contributed Materials and Services*

The Organization records various types of in-kind contributions. Contributed materials and services are recognized at fair market value if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment (See Note 11).

Additionally, a substantial number of unpaid volunteers donate significant amounts of their time to the Organization's fundraising campaigns and House program activities. No amounts have been reflected in the financial statements for such contributed services since these services did not create or enhance non-financial assets or require specialized skills. During the years ended December 31, 2017 and 2016, volunteers contributed approximately 17,000 and 16,600 hours, respectively.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

*Deferred Revenue*

Revenues received in advance related to fundraising events or program services to be provided are recorded as deferred revenue. The revenue is recognized as earned in the period which the event takes place or the program services are provided.

*Functional Expenses*

The costs of providing the various programs, special events and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs, supporting services and fundraising activities benefited.

*Income Taxes*

The Organization is a non-profit corporation exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 differ from those estimates.

*Reclassifications*

Certain items reported in the prior year financial statements have been reclassified, where appropriate, to conform to the current year presentation related to investment income net of fees and net assets released from restrictions due to the satisfaction of donor restrictions.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 3: PLEDGES RECEIVABLE**

During the year ended December 31, 2014, the Organization entered into a capital campaign to expand and renovate its facilities to meet the increased need for its services. Pledges receivable related to the capital campaign and operations consists of the following:

| <i>December 31,</i>                 | <b>2017</b>       | 2016                |
|-------------------------------------|-------------------|---------------------|
| Due in less than one year           | \$ <b>609,169</b> | \$ 603,271          |
| Due in one to five years            | <b>187,332</b>    | 562,136             |
| Total restricted pledges            | <b>796,501</b>    | 1,165,407           |
| Less fair value adjustments:        |                   |                     |
| Allowance for uncollectible pledges | <b>(40,000)</b>   | (40,000)            |
| Discount to present value           | <b>(9,528)</b>    | (27,621)            |
| <b>Pledges receivable, net</b>      | <b>\$ 746,973</b> | <b>\$ 1,097,786</b> |

Pledges receivable with due dates extending beyond one year have been discounted at an annual rate of 3.75%.

**NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments are reported at fair value as defined by FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of the fair value hierarchy are described as follows:

- **Level 1:** Values measured using quoted prices in active markets for identical investments that the Organization has the ability to access at the measurement date.
- **Level 2:** Values measured using other significant observable inputs, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3:** Values measured using significant unobservable inputs that are supported by little or no market activity.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

- **Common stocks:** Valued at the closing price reported on the active market on which the individual securities are traded.
- **Mutual funds:** Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) which is the price at which units can be traded at the measurement date.
- **Corporate and municipal bonds:** Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- **U.S. government securities:** Valued using pricing models maximizing the use of observable inputs for similar securities.
- **Alternative funds and master limited partnership funds:** Valued using pricing models or other valuation methodologies maximizing the use of observable inputs.

The underlying investments in marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, and the level of uncertainty related to changes in the value of the marketable securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statement of financial position and the statement of activities.



**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)**

The following summarizes investments carried by level within the fair value hierarchy:

| <i>December 31, 2017</i>              | <b>Assets at Fair Value</b> |                |                   |                     |
|---------------------------------------|-----------------------------|----------------|-------------------|---------------------|
|                                       | <b>Level 1</b>              | <b>Level 2</b> | <b>Level 3</b>    | <b>Total</b>        |
| <b>Money market funds</b>             | \$ 317,668                  | \$ -           | \$ -              | \$ 317,668          |
| <b>Mutual funds:</b>                  |                             |                |                   |                     |
| Domestic equity funds                 | 1,854,027                   | -              | -                 | 1,854,027           |
| International equity funds            | 1,387,189                   | -              | -                 | 1,387,189           |
| Domestic bond funds                   | 808,318                     | -              | -                 | 808,318             |
| International bond funds              | 52,117                      | -              | -                 | 52,117              |
| Alternative and managed futures funds | 430,446                     | -              | 122,611           | 553,057             |
| Real estate funds                     | 493,244                     | -              | -                 | 493,244             |
| Master limited partnership funds      | 131,470                     | -              | -                 | 131,470             |
| <b>Total mutual funds</b>             | 5,156,811                   | -              | 122,611           | 5,279,422           |
| <b>Equities:</b>                      |                             |                |                   |                     |
| Domestic equities                     | 175,400                     | -              | -                 | 175,400             |
| International equities                | 21,249                      | -              | -                 | 21,249              |
| <b>Total equities</b>                 | 196,649                     | -              | -                 | 196,649             |
| <b>Fixed income:</b>                  |                             |                |                   |                     |
| Corporate bonds                       | 116,115                     | -              | -                 | 116,115             |
| Municipal bonds                       | 86,966                      | -              | -                 | 86,966              |
| U.S. government securities            | 73,927                      | -              | -                 | 73,927              |
| <b>Total fixed income</b>             | 277,008                     | -              | -                 | 277,008             |
| <b>Total investments</b>              | <b>\$ 5,948,136</b>         | <b>\$ -</b>    | <b>\$ 122,611</b> | <b>\$ 6,070,747</b> |

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)**

| <i>December 31, 2016</i>              | Assets at Fair Value |             |                   |                     |
|---------------------------------------|----------------------|-------------|-------------------|---------------------|
|                                       | Level 1              | Level 2     | Level 3           | Total               |
| <b>Money market funds</b>             | \$ 198,880           | \$ -        | \$ -              | \$ 198,880          |
| <b>Mutual funds:</b>                  |                      |             |                   |                     |
| Domestic equity funds                 | 1,644,594            | -           | -                 | 1,644,594           |
| International equity funds            | 1,339,413            | -           | -                 | 1,339,413           |
| Domestic bond funds                   | 490,666              | -           | -                 | 490,666             |
| Alternative and managed futures funds | 604,894              | -           | 300,824           | 905,718             |
| Real estate funds                     | 409,846              | -           | -                 | 409,846             |
| Master limited partnership funds      | 150,825              | -           | -                 | 150,825             |
| <b>Total mutual funds</b>             | 4,640,238            | -           | 300,824           | 4,941,062           |
| <b>Equities:</b>                      |                      |             |                   |                     |
| Domestic equities                     | 178,746              | -           | -                 | 178,746             |
| International equities                | 19,146               | -           | -                 | 19,146              |
| <b>Total equities</b>                 | 197,892              | -           | -                 | 197,892             |
| <b>Fixed income:</b>                  |                      |             |                   |                     |
| Corporate bonds                       | 132,713              | -           | -                 | 132,713             |
| Municipal bonds                       | 169,738              | -           | -                 | 169,738             |
| U.S. government securities            | 70,247               | -           | -                 | 70,247              |
| <b>Total fixed income</b>             | 372,698              | -           | -                 | 372,698             |
| <b>Total investments</b>              | <b>\$ 5,409,708</b>  | <b>\$ -</b> | <b>\$ 300,824</b> | <b>\$ 5,710,532</b> |

The following is a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| <i>Year Ended December 31,</i>         | 2017              | 2016              |
|--|-------------------|-------------------|
| Fair value, beginning of year          | \$ 300,824        | \$ 338,217        |
| Level 3 investments sold               | (198,991)         | -                 |
| Realized and unrealized gains (losses) | 20,778            | (37,393)          |
| <b>Fair value, end of year</b>         | <b>\$ 122,611</b> | <b>\$ 300,824</b> |

There were no transfers between Level 1, Level 2 or Level 3 investment categories during the years ended December 31, 2017 and 2016.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)**

The Organization's investment income is summarized as follows:

| <i>Year Ended December 31,</i>                       | <b>2017</b>       | 2016       |
|--|-------------------|------------|
| Interest and dividend income, net of investment fees | <b>\$ 156,848</b> | \$ 127,677 |
| Net realized gains                                   | <b>182,322</b>    | 35,136     |
| Net unrealized gains                                 | <b>419,394</b>    | 64,859     |
| Net investment income                                | <b>\$ 758,564</b> | \$ 227,672 |

Investment fees totaled \$63,831 and \$58,348 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 5: ENDOWMENT FUND**

The Organization has a written investment policy to which it closely adheres. The Organization engages professional investment advisors to handle the investment of endowed and other funds. Additionally, a committee of qualified individuals meets regularly to review investment performance and strategies.

*Implementation of Accounting Standards*

The State of Florida enacted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") effective July 31, 2012, the provisions of which apply to endowment funds existing on or established after that date. Accordingly, the Board of Directors has determined that a portion of the Organization's investments meet the definition of endowment funds under FUPMIFA.

The Board of Directors has interpreted the law as requiring the preservation of the fair value of the original gift as of the date of the donation of the donor-restricted endowment funds, absent any explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standards prescribed by FUPMIFA. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds; (2) the purpose of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the Organization's investment policies.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 5: ENDOWMENT FUND (continued)**

Spending Policy and Investment Return Objectives

The Organization has adopted investment and spending policies as determined and recommended by the Finance Committee, and approved by the Board of Directors, for endowment assets. Such policies are designed to invest the Organization's cash assets in securities and depositories that will yield the maximum total return consistent with the safety of principal and liquidity needs. The Organization's spending and investment policies collectively work to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is in line with not-for-profit industry management and investment of endowment funds. Actual returns in any given year may vary. Management believes that the investment philosophy of the Organization is generally conservative in nature and balances its return of the investment along with liquidity.

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

| <i>Year Ended December 31, 2017</i>      | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year  | \$ -                | \$ -                              | \$ 1,764,406                      | \$ 1,764,406        |
| Contributions, net                       | -                   | -                                 | -                                 | -                   |
| Investment income                        | -                   | 76,088                            | -                                 | 76,088              |
| Net appreciation on investments          | -                   | 169,572                           | -                                 | 169,572             |
| Investment management fees               | -                   | (19,150)                          | -                                 | (19,150)            |
| Amounts appropriated for expenditures    | -                   | (92,165)                          | -                                 | (92,165)            |
| <b>Endowment net assets, end of year</b> | <b>\$ -</b>         | <b>\$ 134,345</b>                 | <b>\$ 1,764,406</b>               | <b>\$ 1,898,751</b> |

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

| <i>Year Ended December 31, 2016</i>      | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year  | \$ -                | \$ 3,967                          | \$ 1,764,131                      | \$ 1,768,098        |
| Contributions, net                       | -                   | -                                 | 275                               | 275                 |
| Investment income                        | -                   | 59,162                            | -                                 | 59,162              |
| Net depreciation on investments          | -                   | 24,114                            | -                                 | 24,114              |
| Investment management fees               | -                   | (18,477)                          | -                                 | (18,477)            |
| Amounts appropriated for expenditures    | -                   | (68,766)                          | -                                 | (68,766)            |
| <b>Endowment net assets, end of year</b> | <b>\$ -</b>         | <b>\$ -</b>                       | <b>\$ 1,764,406</b>               | <b>\$ 1,764,406</b> |

At times, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no deficiencies at December 31, 2017 and 2016.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 6: BOARD-DESIGNATED FUNDS**

At December 31, 2017 and 2016, the Board of Directors has designated \$4,192,366 and 3,967,646, respectively, of unrestricted net assets to support the mission and operations of the Organization. These amounts are classified as unrestricted net assets since they result from an internal designation and are not donor-restricted.

**NOTE 7: PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

| <i>December 31,</i>               |                 | <b>2017</b>          | 2016          |
|-----------------------------------|-----------------|----------------------|---------------|
|                                   | <u>Use Life</u> |                      |               |
| Land                              | n/a             | <b>\$ 1,576,142</b>  | \$ 1,576,142  |
| Buildings and improvements        | 7 - 39 years    | <b>18,354,643</b>    | 17,105,891    |
| Furniture, fixtures and equipment | 3 - 10 years    | <b>1,670,696</b>     | 1,612,808     |
| Transportation equipment          | 5 years         | <b>25,734</b>        | 25,734        |
| Construction in progress          | n/a             | <b>122,449</b>       | 118,021       |
|                                   |                 | <b>21,749,664</b>    | 20,438,596    |
| Less accumulated depreciation     |                 | <b>(3,908,015)</b>   | (3,253,595)   |
| Total property and equipment      |                 | <b>17,841,649</b>    | 17,185,001    |
| Less restricted land              |                 | <b>(450,000)</b>     | (450,000)     |
|                                   |                 | <b>\$ 17,391,649</b> | \$ 16,735,001 |

Depreciation expense totaled \$747,977 and 505,211 for the years ended December 31, 2017 and 2016, respectively.

The Organization began a capital campaign in 2014 to expand and renovate the House facilities. The expansion was substantially completed in 2016. Most of the renovations to the existing facility were completed and \$1,229,854 was capitalized during the year ended December 31, 2017.

Construction in progress costs for the renovations of the existing facility were \$122,449 and \$118,021 as of December 31, 2017 and 2016, respectively. The renovation costs will be capitalized upon completion and depreciated beginning with the date placed in service.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 8: BANK LINE OF CREDIT**

Effective January 22, 2015, the Organization secured financing with a bank for maximum borrowings of \$3.5 million to fund the costs of expansion and renovation of the House. The debt was secured by the Organization's capital campaign pledges receivable, cash accounts with the bank into which restricted capital campaign pledges and donations were deposited, and certain other assets as defined in the security agreement. Interest on outstanding borrowings was payable monthly at the bank's prime rate. The debt was satisfied on April 13, 2017. At December 31, 2016, the outstanding balance of the line of credit totaled \$1,619,000. Interest expense incurred totaled \$18,236 and \$30,897 for the years ended December 31, 2017 and 2016, respectively.

Effective April 11, 2017, the Organization secured new financing with a bank as follows:

- **Facility 1:** \$3 million non-revolving line of credit to refinance the existing bank loan of \$1.6 million and to provide funding for the remaining House expansion and renovation expenditures. Interest is payable monthly at a variable rate based on the 30-day LIBOR index rate, and the principal balance is due at maturity on April 30, 2021. The maximum loan amount will step-down to \$2.5 million effective December 31, 2018, and remain at that amount until maturity. The outstanding balance was \$1,698,025 at December 31, 2017. Interest expense incurred on the note totaled \$35,685 for the year ended December 31, 2017.
- **Facility 2:** \$500,000 revolving line of credit to provide funding for general operating purposes. Interest is payable monthly at a variable rate based on the 30-day LIBOR index rate, with the principal balance due at maturity on April 30, 2019, with a two-year extension option. No amounts have been borrowed under this loan through the date of this report.

The lines of credit are secured by a letter agreement not to encumber the House campus with additional debt, a first assignment of the Organization's current and future capital campaign pledges receivable, and a first assignment of the capital campaign collection account held with the bank. The Organization must maintain its primary depository relationship with the bank and a minimum of \$3 million in unrestricted liquidity (cash and investments). The investments are not required to be held by the bank.

**NOTE 9: LEASES**

The Organization has a capital lease agreement for copier equipment which requires monthly payments of \$296 through March 28, 2020. The cost and accumulated depreciation of the equipment under capital lease was \$15,051 and \$9,030, respectively, at December 31, 2017. The Organization also leases certain office equipment under a noncancelable operating lease agreement which requires quarterly payments of \$380 through September 30, 2019. Rent expense under the operating lease totaled \$1,520 for each of the years ended December 31, 2017 and 2016.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 9: LEASES (continued)**

The following summarizes future minimum lease payments under noncancelable operating and capital leases for years succeeding December 31, 2017:

| <i>Year Ending December 31,</i>         | <b>Operating<br/>Lease</b> | <b>Capital<br/>Lease</b> |
|---|----------------------------|--------------------------|
| 2018                                    | \$ 1,520                   | \$ 3,546                 |
| 2019                                    | 1,140                      | 3,546                    |
| 2020                                    | -                          | 871                      |
| Total minimum lease payments            | 2,660                      | 7,963                    |
| Less amount representing interest       | -                          | (718)                    |
| Present value of minimum lease payments | \$ 2,660                   | \$ 7,245                 |

**NOTE 10: TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily Restricted

The portion of donor-restricted endowment funds that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure by the Organization. At December 31, 2017, temporarily restricted net assets totaled \$249,345, which consists of the following: \$115,000 in grants to support House operations and program services; and \$134,345 of earnings on restricted investments which may be used to fund future operations of the House.

At December 31, 2016, temporarily restricted net assets totaled \$576,002, consisting of the following: \$400,002 available for expansion of and renovations to the House facilities; and \$176,000 in grants to support House operations and program services.

Permanently Restricted

Income earned on permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standards prescribed by FUPMIFA (see Note 5).

The Organization has recorded prior gifts to establish the Children’s Legacy Fund Endowment (“Legacy Fund”). There were no contributions added to corpus during the year ended December 31, 2017. Contributions of \$275 were added to corpus during the year ended December 31, 2016. Income earned on the Legacy Fund is reported as an increase in temporarily restricted net assets and is available for use in satisfying House program expenditures. The balance of the Legacy Fund totaled \$1,231,574 at December 31, 2017 and 2016, respectively.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 10: TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS *(continued)***

Also included in permanently restricted net assets is a previously received gift which was recorded at its fair market value of \$532,832 at the contribution date. The gift was restricted by the donor for the purpose of establishing a perpetual endowment fund. Income earned on the fund is reported as an increase in temporarily restricted net assets and is available for use in satisfying House program expenditures.

Additionally, the Organization's permanently restricted net assets includes a previously received donation of land at its fair market value at the contribution date of \$450,000. The donated land is part of the property on which the facility is built and is restricted by the donor to be used as the site for the Ronald McDonald House facility. In accordance with the terms of the donor agreement, ownership of the land will revert back to the donor if the land is used for any other purpose and it may not be sold. As a result, the land is included in permanently restricted net assets.

**NOTE 11: DONATED MATERIALS, PROPERTY AND SERVICES**

The estimated fair market value of donated materials, property and services included in the financial statements are as follows:

| <i>Year Ended December 31,</i>                        | <b>2017</b>       | <b>2016</b>       |
|---|-------------------|-------------------|
| Fundraising services and expenses                     | <b>\$ 66,264</b>  | <b>\$ 52,219</b>  |
| House program supplies and expenses                   | <b>153,184</b>    | <b>153,779</b>    |
| Property and equipment donations                      | <b>25,585</b>     | <b>250,045</b>    |
| Professional services                                 | <b>9,466</b>      | <b>17,985</b>     |
| Other management and general                          | <b>3,841</b>      | <b>5,272</b>      |
| <b>Total donated materials, property and services</b> | <b>\$ 258,340</b> | <b>\$ 479,300</b> |



**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 12: SPECIAL EVENTS ACTIVITIES**

Special events activities, including donated revenues and expenses (Note 11), consist of the following:

| <i>Year Ended December 31,</i> | <b>2017</b>       | <b>2016</b>       |
|--------------------------------|-------------------|-------------------|
| <b>Revenues</b>                |                   |                   |
| McGala                         | \$ 427,708        | \$ 399,156        |
| Golf Tournament                | 225,999           | 168,865           |
| Fries with that Wine           | 56,104            | 69,354            |
| Children's Way 5K              | 50,644            | -                 |
| Total revenues                 | <b>760,455</b>    | <b>637,375</b>    |
| <b>Expenses</b>                |                   |                   |
| Total direct expenses          | <b>273,562</b>    | <b>184,400</b>    |
| Net special events activities  | <b>\$ 486,893</b> | <b>\$ 452,975</b> |

**NOTE 13: COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA ENDOWMENTS**

The Community Foundation for Northeast Florida, Inc. (the "Foundation"), a non-profit charitable foundation, previously received donations totaling \$690,775 in the Organization's name. Earnings from these funds are to be used for the benefit and support of the Organization. Amounts available for granting and received by the Organization from the Foundation for the years ended December 31, 2017 and 2016 totaled \$34,000 and \$33,139, respectively.

**NOTE 14: RONALD MCDONALD FAMILY ROOM®**

Expenses in salaries for the coordination of volunteers related to the Ronald McDonald Family Room® licensed ancillary program operations (Note 1) include \$11,200 and \$10,800 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 15: PAYMENTS TO GLOBAL ORGANIZATION**

In accordance with an affiliation agreement with Ronald McDonald House Charities®, Inc. ("RMHC Global"), 25% of the Organization's share of donation box net revenues from the area cooperative of McDonald's restaurants (after 50% split with Ronald McDonald House Charities® of North Central Florida, Inc.) is due to RMHC Global on a quarterly basis.

Effective November 1, 2017, donation box collections were centralized and are being processed by RMHC Global. Donations, net of fees and deductions, are remitted monthly to the Organization via electronic fund transfer.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 15: PAYMENTS TO GLOBAL ORGANIZATION *(continued)***

The Organization's revenues raised by donation box promotions totaled \$71,400 and \$80,548 for the years ended December 31, 2017 and 2016, respectively. Amounts paid to RMHC Global under the agreement totaled \$12,609 and \$16,773, respectively, for the years ended December 31, 2017 and 2016.

**NOTE 16: RETIREMENT PLAN**

The Organization has a defined contribution retirement plan (the "Plan") which covers substantially all eligible employees who have completed one year of service and are at least 21 years of age. The Organization matches 50% of the amount contributed by the employee, up to a maximum of 6% of the employee's gross wages. Employees become 20% vested in the Organization's contribution for each year of service, up to five years. For the years ended December 31, 2017 and 2016, the Organization's contributions to the Plan totaled \$15,987 and \$14,348, respectively.

**NOTE 17: CONCENTRATIONS OF CREDIT RISK**

Financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and pledges receivable. The Organization maintains its cash in bank deposits and money market accounts. At times, cash balances may be in excess of Federal Deposit Insurance Corporation (FDIC) insured limits which provides for full deposit coverage for noninterest-bearing accounts and insures up to \$250,000 for each interest-bearing deposit account. Management does not believe there is any significant credit risk relative to these deposits.

Concentration of credit risk with respect to pledges receivable is generally limited due to the large number of contributors comprising the Organization's donor base. At December 31, 2017, three donors accounted for approximately 44% of total pledges receivable. Pledges outstanding from three donors represented approximately 47% of total pledges receivable at December 31, 2016.

The Organization's credit risk is inherent principally in its investments. Adverse economic conditions either domestically or internationally may result in a reduction of the investments' carrying amount. Market risk of the Organization's investment portfolio is monitored through ongoing review of asset allocations and evaluation by independent investment advisers.

**Ronald McDonald House Charities of Jacksonville, Inc.**  
**Notes to Financial Statements**

**NOTE 18: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

***Noncash Investing and Financing Activities***

Construction in progress costs totaling \$118,021 and \$8,430,195 related to the expansion of the House which was completed during the years ended December 31, 2017 and 2016, respectively, were reclassified to property and equipment.

***Supplemental Cash Flow Disclosure***

Cash paid in interest totaled \$54,648 and \$31,847 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 19: UNCERTAIN TAX POSITIONS**

The Organization evaluates its tax positions taken for any uncertainties in accordance with authoritative guidance. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld upon examination by taxing authorities. Management believes that it has appropriate support for any tax positions taken and does not have any uncertain tax positions that would require recognition of a liability or disclosure in the financial statements as of December 31, 2017 and 2016.

The Organization files an annual *Return of Organization Exempt from Income Tax* (Form 990). Information tax returns for tax years 2014 through 2016 remain open to examination by federal and state taxing authorities, generally for three years after being filed.

**NOTE 20: COMMITMENTS AND CONTINGENCIES**

**Contingencies**

The Organization is subject to various state and federal laws and regulations, which among other things, require licensing and other qualifications.

**NOTE 21: SUBSEQUENT EVENTS**

The Organization's management has evaluated subsequent events through July 2, 2018, the date which the financial statements were available to be issued.