

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

FINANCIAL STATEMENTS

December 31, 2015 and 2014



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Ronald McDonald House Charities of Jacksonville, Inc.
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INDEPENDENT AUDITOR'S 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 statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015, 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 Jacksonville, Inc. as of December 31, 2014 were audited by other auditors whose report dated June 23, 2015, expressed an unmodified opinion on those statements.

Cary Riggs & Ingram, L.L.C.

Jacksonville, Florida

July 21, 2016

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

<i>December 31,</i>	2015	2014
ASSETS		
Cash and cash equivalents	\$ 2,274,581	\$ 3,562,894
Contributions and other receivables	17,429	54,451
Pledges receivable (Note 3)	1,684,507	3,431,667
Prepaid expenses	16,429	36,491
Investments, at fair value (Notes 2 and 4)	5,870,402	8,473,952
Property and equipment, net of depreciation (Note 7)	14,239,998	6,799,552
TOTAL ASSETS	\$ 24,103,346	\$ 22,359,007
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,383,021	\$ 222,643
Deferred revenue	-	10,500
Capital lease obligation (Note 9)	12,660	5,448
Total liabilities	1,395,681	238,591
Net assets:		
Unrestricted	19,539,292	14,616,448
Temporarily restricted	954,242	5,290,512
Permanently restricted	2,214,131	2,213,456
Total net assets	22,707,665	22,120,416
TOTAL LIABILITIES AND NET ASSETS	\$ 24,103,346	\$ 22,359,007

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, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants	\$ 633,278	\$ 250,000	\$ 675	\$ 883,953
Capital campaign contributions	-	1,236,421	-	1,236,421
United Way contributions	10,536	-	-	10,536
Room contributions	80,446	-	-	80,446
In-kind contributions	205,625	-	-	205,625
Gross revenues from special events	744,791	-	-	744,791
Less direct benefit costs	(224,781)	-	-	(224,781)
Net revenue from special events	520,010	-	-	520,010
Investment income	169,507	79,511	-	249,018
Net realized investment gains	182,265	24,333	-	206,598
Net unrealized investment gains (losses)	(396,345)	(171,205)	-	(567,550)
Loss on disposal of property and equipment	(8,584)	-	-	(8,584)
Other income	3,315	-	-	3,315
Total revenues, gains and other support before net assets released from restrictions	1,400,053	1,419,060	675	2,819,788
Net assets released from restrictions -- satisfaction of donor restrictions	5,755,330	(5,755,330)	-	-
Total revenues, gains and other support	7,155,383	(4,336,270)	675	2,819,788
EXPENSES				
Program services	1,605,185	-	-	1,605,185
Supporting services:		-	-	
Management and general	245,474	-	-	245,474
Fundraising	370,024	-	-	370,024
Total supporting services	615,498	-	-	615,498
Payments to RMHC Global, net of refund	11,856	-	-	11,856
Total expenses	2,232,539	-	-	2,232,539
Change in net assets	4,922,844	(4,336,270)	675	587,249
Net assets, beginning of year	14,616,448	5,290,512	2,213,456	22,120,416
Net assets, end of year	\$ 19,539,292	\$ 954,242	\$ 2,214,131	\$ 22,707,665

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, 2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants	\$ 1,823,077	\$ 56,000	\$ 2,400	\$ 1,881,477
Capital campaign contributions	-	5,800,484	-	5,800,484
United Way contributions	28,513	-	-	28,513
Room contributions	127,766	-	-	127,766
In-kind contributions	269,907	-	-	269,907
Gross revenues from special events	642,820	-	-	642,820
Less direct benefit costs	(137,338)	-	-	(137,338)
Net revenue from special events	505,482	-	-	505,482
Investment income	280,938	87,072	-	368,010
Net realized investment gains	182,070	67,167	-	249,237
Net unrealized investment gains (losses)	(261,196)	(75,863)	-	(337,059)
Other income	4,551	-	-	4,551
Total revenues, gains and other support before net assets released from restrictions	2,961,108	5,934,860	2,400	8,898,368
Net assets released from restrictions -- satisfaction of donor restrictions	1,022,492	(1,022,492)	-	-
Total revenues, gains and other support	3,983,600	4,912,368	2,400	8,898,368
EXPENSES				
Program services	1,577,039	-	-	1,577,039
Supporting services:				
Management and general	336,885	-	-	336,885
Fundraising	413,592	-	-	413,592
Total supporting services	750,477	-	-	750,477
Payments to RMHC Global	17,021	-	-	17,021
Total expenses	2,344,537	-	-	2,344,537
Change in net assets	1,639,063	4,912,368	2,400	6,553,831
Net assets, beginning of year	12,977,385	378,144	2,211,056	15,566,585
Net assets, end of year	\$ 14,616,448	\$ 5,290,512	\$ 2,213,456	\$ 22,120,416

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, 2015</i>	Program Services	Management and General	Fundraising	Total
Salaries and related expenses:				
Salaries	\$ 627,229	\$ 79,133	\$ 254,877	\$ 961,239
Payroll taxes and benefits	110,234	26,996	25,329	162,559
Total salaries and related expenses	737,463	106,129	280,206	1,123,798
Other expenses:				
Grant funds expended	10,000	-	-	10,000
Program supplies and expense	153,179	6,360	-	159,539
Professional fees	40,867	6,492	5,236	52,595
Contract services	97,729	909	909	99,547
Investment management fees	-	82,430	-	82,430
Printing and publications	12,572	2,514	10,057	25,143
Office supplies and expense	5,609	794	937	7,340
Postage and shipping	5,987	1,215	1,475	8,677
Computer and information technology	16,593	2,074	2,074	20,741
Occupancy	84,424	861	861	86,146
Maintenance and repairs	36,063	-	-	36,063
Telephone	22,581	1,585	600	24,766
Travel and lodging	12,440	5,999	4,245	22,684
Meetings, training and seminars	1,898	8,270	1,648	11,816
Insurance	65,024	664	664	66,352
Rent	34,368	-	-	34,368
Fundraising expenses - indirect	-	-	49,433	49,433
Bank charges and interest	3,920	9,079	9,227	22,226
Dues and subscriptions	3,103	4,745	1,894	9,742
Taxes and licenses - other	517	29	28	574
Depreciation	247,604	5,053	-	252,657
Miscellaneous	13,244	272	530	14,046
Total other expenses	867,722	139,345	89,818	1,096,885
Total functional expenses	\$ 1,605,185	\$ 245,474	\$ 370,024	\$ 2,220,683

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, 2014</i>	Program Services	Management and General	Fundraising	Total
Salaries and related expenses:				
Salaries	\$ 563,007	\$ 89,070	\$ 238,271	\$ 890,348
Payroll taxes and benefits	94,645	22,443	25,108	142,196
Total salaries and related expenses	657,652	111,513	263,379	1,032,544
Other expenses:				
Grant funds expended	10,000	-	-	10,000
Program supplies and expense	311,508	9,114	-	320,622
Professional fees	28,414	5,587	8,231	42,232
Contract services	101,453	1,101	1,100	103,654
Investment management fees	-	96,550	-	96,550
Printing and publications	294	1,542	19,455	21,291
Office supplies and expense	5,939	2,375	1,979	10,293
Postage and shipping	2,371	2,371	4,741	9,483
Computer and information technology	13,123	3,860	2,316	19,299
Occupancy	99,433	1,015	1,015	101,463
Maintenance and repairs	39,838	-	-	39,838
Telephone	17,286	961	960	19,207
Travel and lodging	5,467	5,658	4,617	15,742
Meetings, training and seminars	7,386	4,083	3,983	15,452
Insurance	62,722	640	640	64,002
Fundraising expenses - indirect	-	-	87,292	87,292
Bank charges and interest	577	3,160	8,656	12,393
Dues and subscriptions	2,815	3,023	1,207	7,045
Taxes and licenses - other	1,118	62	62	1,242
Depreciation	209,248	4,270	-	213,518
Provision for uncollectible pledges	-	80,000	-	80,000
Miscellaneous	395	-	3,959	4,354
Total other expenses	919,387	225,372	150,213	1,294,972
Total functional expenses	\$ 1,577,039	\$ 336,885	\$ 413,592	\$ 2,327,516

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>	2015	2014
Cash flow from operating activities:		
Change in net assets	\$ 587,249	\$ 6,553,831
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	252,657	213,518
Loss on disposal of property and equipment	8,584	-
Provision for uncollectible pledges	-	80,000
Donated securities	(43,539)	(39,396)
Proceeds from sale of donated securities	43,521	39,396
Donated property and equipment	(43,697)	(2,236)
Donated expansion costs	-	(13,144)
Net realized and unrealized losses (gains) on investments	360,952	87,822
Decrease (increase) in operating assets:		
Contributions and other receivables	37,022	(30,703)
Pledges receivable	1,747,160	(3,511,667)
Prepaid expenses and other	20,062	4,534
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,160,378	172,156
Deferred revenue	(10,500)	9,200
Net cash provided by operating activities	4,119,849	3,563,311
Cash flow from investing activities:		
Acquisition of property and equipment	(7,642,939)	(423,188)
Proceeds from sale of investments	3,654,422	3,482,854
Purchase of investments	(1,411,806)	(3,904,910)
Net cash used for investing activities	(5,400,323)	(845,244)
Cash flow from financing activities:		
Principal payments on capital lease obligations	(7,839)	(3,137)
Net cash used for financing activities	(7,839)	(3,137)
Net (decrease) increase in cash and cash equivalents	(1,288,313)	2,714,930
Cash and cash equivalents, beginning of year	3,562,894	847,964
Cash and cash equivalents, end of year	\$ 2,274,581	\$ 3,562,894

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 the Financial Statements

NOTE 1: ORGANIZATION AND NATURE OF ACTIVITIES

Ronald McDonald House Charities® of Jacksonville, Inc. (the “Organization”) is a non-profit 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 statements 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 the Financial Statements

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, 2015 and 2014, an allowance for uncollectible pledges of \$80,000 was recorded.

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

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

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 2015 or 2014.

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, 2015 and 2014, volunteers contributed approximately 16,400 and 20,300 hours, respectively.

Deferred Revenue

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

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.

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.

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

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.

Reclassifications

Certain items reported in the prior year financial statements have been reclassified, where appropriate, to conform to the current year presentation.

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 consists of the following:

<i>December 31,</i>	2015	2014
Due in less than one year	\$ 905,817	\$ 2,349,881
Due in one to five years	911,866	1,235,543
Total restricted pledges	1,817,683	3,585,424
Less fair value adjustments:		
Allowance for uncollectible pledges	(80,000)	(80,000)
Discount to present value	(53,176)	(73,757)
Pledges receivable, net	\$ 1,684,507	\$ 3,431,667

Pledges receivable with due dates extending beyond one year have been discounted at an annual rate of 3.75%. At December 31, 2014, the Organization had conditional pledges of \$500,000 which were not recorded as pledges receivable. Conditional pledges depend upon the occurrence of a specified future or uncertain event, such as raising matching gifts from other donors, and are recognized as contributions when the donor-imposed conditions are substantially met. During the year ended December 31, 2015, the \$500,000 conditional pledge was received by the Organization upon satisfaction of the donor-imposed conditions.

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.

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

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 active 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.

There have been no changes in the methodologies used at December 31, 2015 and 2014.

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

<i>December 31, 2015</i>	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 256,393	\$ -	\$ -	\$ 256,393
Mutual funds:				
Domestic equity funds	1,249,276	-	-	1,249,276
International equity funds	1,411,618	-	-	1,411,618
Domestic bond funds	492,360	-	-	492,360
International bond funds	10,079	-	-	10,079
Alternative and managed futures funds	-	1,081,954	-	1,081,954
Real estate funds	361,470	-	-	361,470
Master limited partnership funds	-	80,975	-	80,975
Total mutual funds	3,524,803	1,162,929	-	4,687,732
Equities:				
Domestic equities	457,223	-	-	457,223
International equities	35,458	-	-	35,458
Total equities	492,681	-	-	492,681
Fixed income:				
Corporate bonds	151,234	-	-	151,234
Municipal bonds	178,299	-	-	178,299
U.S. government securities	104,063	-	-	104,063
Total fixed income	433,596	-	-	433,596
Total investments	\$ 4,707,473	\$ 1,162,929	\$ -	\$ 5,870,402

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

<i>December 31, 2014</i>	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 360,412	\$ -	\$ -	\$ 360,412
Mutual funds:				
Domestic equity funds	1,706,337	-	-	1,706,337
International equity funds	1,967,791	-	-	1,967,791
Domestic bond funds	918,129	-	-	918,129
International bond funds	58,989	-	-	58,989
Alternative and managed futures funds	1,168,829	315,102	-	1,483,931
Real estate funds	559,254	-	-	559,254
Commodity funds	54,714	-	-	54,714
Master limited partnership funds	-	198,565	-	198,565
Total mutual funds	6,434,043	513,667	-	6,947,710
Equities:				
Domestic equities	605,738	-	-	605,738
International equities	44,590	-	-	44,590
Total equities	650,328	-	-	650,328
Fixed income:				
Corporate bonds	187,129	-	-	187,129
Municipal bonds	206,236	-	-	206,236
U.S. government securities	122,137	-	-	122,137
Total fixed income	515,502	-	-	515,502
Total investments	\$ 7,960,285	\$ 513,667	\$ -	\$ 8,473,952

There were no transfers between Level 1, Level 2 or Level 3 investment categories during the years ended December 31, 2015 and 2014.

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.

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

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.

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.

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

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

<i>Year Ended December 31, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 247,728	\$ 1,763,456	\$ 2,011,184
Contributions, net	-	-	675	675
Investment income	-	79,511	-	79,511
Net depreciation on investments	-	(146,872)	-	(146,872)
Investment management fees	-	(19,999)	-	(19,999)
Amounts appropriated for expenditures	-	(156,401)	-	(156,401)
Endowment net assets, end of year	\$ -	\$ 3,967	\$ 1,764,131	\$ 1,768,098

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

<i>Year Ended December 31, 2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 378,144	\$ 1,761,056	\$ 2,139,200
Contributions, net	-	-	2,400	2,400
Investment income	-	87,072	-	87,072
Net depreciation on investments	-	(8,696)	-	(8,696)
Investment management fees	-	(21,612)	-	(21,612)
Amounts appropriated for expenditure	-	(187,180)	-	(187,180)
Endowment net assets, end of year	\$ -	\$ 247,728	\$ 1,763,456	\$ 2,011,184

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, 2015 and 2014.

NOTE 6: BOARD-DESIGNATED FUNDS

At December 31, 2015 and 2014, the Board of Directors has designated \$4,100,926 and \$6,463,158, 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.

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

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

<i>December 31,</i>		2015	2014
	Estimated Use Life		
Land	n/a	\$ 1,576,142	\$ 1,576,142
Buildings and improvements	7 - 39 years	6,293,151	6,309,177
Furniture, fixtures and equipment	3 - 10 years	808,814	737,032
Transportation equipment	5 years	25,734	25,734
Construction in progress	n/a	8,430,195	864,264
		17,134,036	9,512,349
Less accumulated depreciation		(2,894,038)	(2,712,797)
Total property and equipment		14,239,998	6,799,552
Less restricted land		(450,000)	(450,000)
		\$ 13,789,998	\$ 6,349,552

Depreciation expense totaled \$252,657 and \$213,518 for the years ended December 31, 2015 and 2014, respectively.

Since 2014, the Organization has been raising funds and pledges for a capital campaign to expand and renovate the House facilities. The Organization has capitalized the costs related to the construction and renovations and will begin depreciating those assets upon completion and the date placed in service. Construction in progress costs related to the expansion and renovation totaled \$8,430,195 and \$864,264 at December 31, 2015 and 2014, respectively.

NOTE 8: NOTE PAYABLE

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 note is secured by the Organization's capital campaign pledges receivable, cash accounts with the bank into which restricted capital campaign pledges and donations are deposited, and certain other assets as defined in the security agreement. Interest on outstanding borrowings under the note are payable monthly at the bank's prime rate (3.5% at December 31, 2015). The outstanding principal balance of the note is due at maturity on March 31, 2018. At December 31, 2015, there were no outstanding borrowings on the note.

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

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 \$3,010, respectively, at December 31, 2015. The Organization also leases certain office equipment under a non-cancellable operating lease agreement which requires quarterly payments of \$380 through September 30, 2019. Rent expense incurred under the operating lease totaled \$1,520 for each of the years ended December 31, 2015 and 2014.

The following summarizes future minimum lease payments under non-cancelable operating and capital leases for years succeeding December 31, 2015:

<i>Year Ending December 31,</i>	Operating Lease	Capital Lease
2016	\$ 1,520	\$ 3,546
2017	1,520	3,546
2018	1,520	3,546
2019	1,140	3,546
2020	-	871
Total minimum lease payments	5,700	15,055
Less amount representing interest	-	(2,395)
Present value of minimum lease payments	\$ 5,700	\$ 12,660

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, 2015, temporarily restricted net assets totaled \$954,242, which consists of the following: \$667,275 available for expansion of and renovations to the House facilities; \$283,000 in grants to support House operations and program services; and \$3,967 of earnings on restricted investments which may be used to fund future operations of the House.

At December 31, 2014, temporarily restricted net assets totaled \$5,290,512, which consisted of the following: \$4,996,784 available for expansion of and renovations to the House facilities; \$247,728 of earnings on restricted investments which may be used to fund future operations of the House; and \$46,000 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).

Ronald McDonald House Charities of Jacksonville, Inc.
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The Organization has previously recorded gifts to establish the Children’s Legacy Fund Endowment (“Legacy Fund”). Additional contributions of \$675 and \$2,400 were added to corpus during the years ended December 31, 2015 and 2014, respectively. 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 \$1,231,299 and \$1,230,624 at December 31, 2015 and 2014, respectively.

The Organization has \$532,832 from a previously received gift which is reported as permanently restricted net assets at its fair market value. 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.

The Organization previously received and recorded a gift of land at its fair market value of \$450,000. The land 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>	2015	2014
Fundraising services and expenses	\$ 101,861	\$ 74,809
House program supplies and expenses	123,856	239,261
Fixed asset donations	43,698	2,236
Professional services	24,945	11,300
Other management and general	13,125	3,965
Capital campaign expansion and renovation costs	-	13,145
Total donated materials, property and services	\$ 307,485	\$ 344,716

Ronald McDonald House Charities of Jacksonville, Inc.
Notes to the 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>	2015	2014
Revenues		
McGala	\$ 442,279	\$ 375,596
Golf Tournament	228,242	205,307
Fries with that Wine	72,771	61,917
Other	1,500	-
Total revenues	744,792	642,820
Expenses		
Direct	224,781	137,338
Indirect	32,779	74,991
Total expenses	257,560	212,329
Net special events activities	\$ 487,232	\$ 430,491

NOTE 13: COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA ENDOWMENT

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, 2015 and 2014 totaled \$31,775 and \$29,752, 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 \$10,500 and \$10,000 for the years ended December 31, 2015 and 2014, 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.

The Organization's revenues raised by donation box promotions totaled \$88,202 and \$95,048 for the years ended December 31, 2015 and 2014, respectively. Amounts paid to RMHC Global under the agreement totaled \$11,856 and \$17,021, respectively, for the years ended December 31, 2015 and 2014.

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

During the year ended December 31, 2014, RMHC Global incurred certain costs related to the upgrade of its nationwide donation boxes which were passed through to the various local RMHC chapters. The Organization's allocable share of the donation box installation costs totaled \$79,097, of which 50% was provided in-kind by RMHC Global. The costs were capitalized as property and equipment during the year ended December 31, 2015.

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, 2015 and 2014, the Organization's contributions to the Plan totaled \$12,916 and \$8,635, 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, 2015, three donors accounted for 50% of total pledges receivable. Pledges outstanding from four donors represented approximately 67% of total pledges receivable at December 31, 2014.

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.

NOTE 18: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash Investing and Financing Activities

During the year ended December 31, 2015, the Company incurred a capital lease obligation of \$15,051 in connection with the lease of office equipment.

Pledges receivable of \$1,039,109 were collected during the year ended December 31, 2015 upon the immediate sale of donated securities received from pledge donors.

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

Supplemental Cash Flow Disclosure

Cash paid in interest totaled \$1,155 and \$851 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014. The Organization files an annual *Return of Organization Exempt from Income Tax* (Form 990). Tax returns for the tax years 2012 through 2015 remain subject to examination by federal and state taxing authorities, generally for three years after being filed.

NOTE 20: COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Organization is in the process of expanding and renovating the House and has entered into approximately \$11.5 million in architectural design and construction contracts. As of December 31, 2015, approximately \$3 million of such contract commitments have not yet been incurred.

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 21, 2016, the date which the financial statements were available to be issued.