

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

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FINANCIAL STATEMENTS

DECEMBER 31, 2017



**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of Ronald McDonald House Charities of South Florida, Inc., (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, 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 South Florida, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Morrison, Brown, Argiz & Farra*

Miami, Florida  
September 7, 2018

An independent member of Baker Tilly International

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

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STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

**ASSETS**

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Cash and cash equivalents	\$	3,489,569
Cash - restricted		56,091
Accounts receivable		252,405
Prepaid expenses		48,214
Investments, at fair value		1,775,195
Investments - temporarily restricted, at fair value		80,078
Deposits		7,194
Property and equipment, net		1,047,524
Assets restricted for permanent endowment		<u>1,207,047</u>
TOTAL ASSETS	<b>\$</b>	<b><u>7,963,317</u></b>

**LIABILITIES AND NET ASSETS**

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LIABILITIES

Accounts payable and accrued expenses	\$	<u>104,392</u>
TOTAL LIABILITIES		<u>104,392</u>

NET ASSETS

Unrestricted		6,350,109
Temporarily restricted		301,769
Permanently restricted		<u>1,207,047</u>
TOTAL NET ASSETS		<u>7,858,925</u>
TOTAL LIABILITIES AND NET ASSETS	<b>\$</b>	<b><u>7,963,317</u></b>

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

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

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STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUES</b>				
Gross proceeds from special events	\$ 503,481	\$ -	\$ -	\$ 503,481
Less direct benefit costs	<u>(258,747)</u>	<u>-</u>	<u>-</u>	<u>(258,747)</u>
Net proceeds from special events	244,734	-	-	244,734
Donations	1,755,594	-	-	1,755,594
Guest donations	51,850	-	-	51,850
Contributions	-	69,805	-	69,805
Investment return	247,945	28,626	375,430	652,001
Other	<u>22,833</u>	<u>-</u>	<u>-</u>	<u>22,833</u>
	2,322,956	98,431	375,430	2,796,817
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>95,088</u>	<u>(95,088)</u>	<u>-</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>2,418,044</u>	<u>3,343</u>	<u>375,430</u>	<u>2,796,817</u>
<b>EXPENSES</b>				
Program services	<u>2,422,531</u>	<u>-</u>	<u>-</u>	<u>2,422,531</u>
Supporting services				
Management and general	230,736	-	-	230,736
Fund-raising	491,447	-	-	491,447
Unallocated payments to RMHC Global	<u>96,818</u>	<u>-</u>	<u>-</u>	<u>96,818</u>
	819,001	-	-	819,001
<b>TOTAL EXPENSES</b>	<u>3,241,532</u>	<u>-</u>	<u>-</u>	<u>3,241,532</u>
<b>CHANGE IN NET ASSETS</b>	(823,488)	3,343	375,430	(444,715)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>7,173,597</u>	<u>298,426</u>	<u>831,617</u>	<u>8,303,640</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 6,350,109</b></u>	<u><b>\$ 301,769</b></u>	<u><b>\$ 1,207,047</b></u>	<u><b>\$ 7,858,925</b></u>

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

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fund-Raising	Total
Salaries and related expenses	\$ 328,394	\$ 37,071	\$ 161,854	\$ 527,319
Rent expense	163,496	2,809	2,511	168,816
Repairs and maintenance	297,009	5,515	3,791	306,315
Insurance	68,113	898	688	69,699
Utilities	70,677	1,392	933	73,002
Supplies	244,611	-	-	244,611
Professional fees	-	90,390	-	90,390
Travel and entertainment fees	7,119	9,524	-	16,643
Office expense	25,535	14,040	-	39,575
Promotion	53,978	51,172	161,916	267,066
Chapter grants	126,170	-	-	126,170
Advertising	-	-	36,000	36,000
Canister expense	-	-	113,767	113,767
Miscellaneous	3,156	6,754	7,181	17,091
Total expenses before depreciation	1,388,258	219,565	488,641	2,096,464
Depreciation	1,034,273	11,171	2,806	1,048,250
<b>TOTAL EXPENSES</b>	<b>\$ 2,422,531</b>	<b>\$ 230,736</b>	<b>\$ 491,447</b>	<b>\$ 3,144,714</b>
Unallocated payments to RMHC Global				96,818
				<b>\$ 3,241,532</b>

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

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (444,715)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,048,250
Unrealized gain on investments	(564,619)
Changes in operating assets and liabilities:	
Accounts receivable	40,240
Prepaid expenses	(4,522)
Accounts payable and accrued expenses	(16,674)
TOTAL ADJUSTMENTS	<u>502,675</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>57,960</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(51,483)
Purchases of investments, net	<u>(61,267)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(112,750)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(54,790)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,600,450</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><b>\$ 3,545,660</b></u>

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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

NON-CASH OPERATING TRANSACTIONS:

In-kind contributions of goods and services	\$ 596,106
In-kind contributions for fund-raising activities	19,347
	<u><b>\$ 615,453</b></u>

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

# RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.

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## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

### 1. NATURE AND PURPOSE OF THE ORGANIZATION

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Ronald McDonald House Charities of South Florida, Inc. (the "Organization") is a not-for-profit corporation chartered in the State of Florida. The Organization is comprised of three divisions: Ronald McDonald House – Miami Division, Ronald McDonald House – Ft. Lauderdale Division, and RMHC Division. The Ronald McDonald Houses provide temporary residential facilities to the families of seriously ill children receiving medical treatment at nearby hospitals. The Houses are located on the grounds of the Jackson Memorial Medical Center in Miami and the Chris Evert Children's Hospital at Broward General Medical Center in Fort Lauderdale. The RMHC Division provides grants to other local and national charities benefiting children.

In September 2017, the Board of Directors approved the closing of the Ft. Lauderdale House. Effective March 1, 2018, the lease with North Broward Hospital District ("Hospital") for the Ft. Lauderdale house was canceled and terminated. The property was returned to the Hospital and the Organization ceased all operations at the location.

At December 31, 2017, the Ft. Lauderdale Division had total assets of approximately \$718,000 and a net unrestricted deficit of approximately \$(2,270,000). The Ft. Lauderdale House building and improvements became property of the Hospital upon termination of the lease. The remaining property and equipment was either transferred to the Miami House, sold, donated, or disposed of. Proceeds from the sale of property and equipment was minimal.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

#### Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- **Unrestricted Net Assets** – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the actions of the Board of Directors.
- **Temporarily Restricted Net Assets** – subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Directors or become unrestricted at the date specified by the donor.
- **Permanently Restricted Net Assets** – subject to donor-imposed stipulations that are to be maintained permanently.

#### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.



## RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.

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### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### **Cash and Cash Equivalents**

Cash and cash equivalents include checking, savings, and money market mutual funds and are maintained at several financial institutions. The Organization may be subject to credit risk to its cash and cash equivalents, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation ("FDIC") coverage is \$250,000 for all accounts. At December 31, 2017, the Organization's cash accounts exceeded federally insured limits by \$75,136. Money market fund accounts held at SIPC insured brokerage firms are insured up to \$500,000. The Organization's money market fund accounts total \$3,228,531 and exceeded SIPC insured limits at December 31, 2017 by \$2,728,531. The money market funds are reported as "Cash and cash equivalents" in the accompanying Statement of Financial Position.

### **Property and Equipment, Net**

Buildings, building improvements and equipment are recorded at cost, if purchased, or at fair value at the time of donation, if contributed. They are depreciated on the straight-line method over their estimated useful lives ranging from 3 to 39 years.

Major replacements and betterments of buildings, building improvements and equipment are capitalized while repairs and minor replacements are charged to operations.

### **Impairment**

The Organization reviews the carrying value of buildings, building improvements and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable. In cases where the carrying value is not expected to be recoverable, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results and prospects, as well as the effects of obsolescence and other economic factors.

Contributed property is recorded at its estimated fair market value at the date of the contribution. These contributions 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 to unrestricted net assets at that time.

### **Investments**

Investments are measured at fair value in the Statement of Financial Position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) are included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

### **Contributions and Promises to Give**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. There were no unconditional or conditional promises to give as of December 31, 2017.

## RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### Revenue and Expense Recognition

Revenue from contributions and fund-raising events is recorded when cash is received or an unconditional promise to give is made. In-kind contributions are recognized as income when the donated asset is actually received. 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, temporarily restricted net assets are reclassified to unrestricted net assets. Expenses are recorded when incurred.

#### Contributed Services and Materials

A substantial number of unpaid volunteers have made significant contributions of their time in the Organization's program services and in its fund-raising activities. No amounts have been recognized in the Statement of Activities because the criterion for recognition has not been satisfied.

The Organization receives donations of advertising materials and food, paper products, cleaning products, and other miscellaneous supplies for use by the House residents. The Organization also receives donated promotional items, auction items, and other materials and services for various fund-raising events. Donated materials are recorded as revenue and expense in the accompanying Statement of Activities at fair market value on the date of receipt. Donated materials and services for House operations were charged to "advertising", "utilities", "repairs and maintenance", and "supplies" under program services on the Statement of Functional Expenses. Donated materials and services for special fund-raising events were charged to "direct benefit costs" on the Statement of Activities. Donated materials and services for miscellaneous fund-raisers were charged to "miscellaneous" under fund-raising on the Statement of Functional Expenses.

#### Advertising

The Organization expenses advertising costs as they are incurred.

#### Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Income Taxes

The Organization is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. federal jurisdiction is the major tax jurisdictions where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2014.

## RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.

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### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Recent Accounting Pronouncements

#### Lease accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

#### Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

#### Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

### Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 7, 2018, the date the financial statements were available to be issued.

## RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

#### 3. INVESTMENTS

The Organization's investments, at fair value, consist of the following at December 31, 2017:

Unrestricted	
Equity security	\$ 694,190
Mutual funds	1,081,005
	<u>\$ 1,775,195</u>
Temporarily restricted	
Equity security	\$ 80,078
	<u>\$ 80,078</u>
Permanently restricted	
Cash	\$ 5,000
Equity security	1,202,047
	<u>\$ 1,207,047</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Net unrealized gain	\$ 189,189	\$ 375,430	\$ 564,619
Interest and dividend income	58,756	28,626	87,382
Total investment return	<u>\$ 247,945</u>	<u>\$ 404,056</u>	<u>\$ 652,001</u>

#### 4. FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification ("ASC") 820 Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:
  - Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
  - Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**4. FAIR VALUE MEASUREMENTS (CONTINUED)**

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- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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.

Cash is valued at cost which approximates fair value.

The equity security and mutual funds are valued at the closing price reported on the active market in which the individual securities and funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized.

Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following table represents the Organization's financial instruments measured at fair value on a recurring basis at December 31, 2017 for each of the fair value hierarchy levels:

Description	Total	<b>Investments at Fair Value as of December 31, 2017</b>		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Cash	\$ 5,000	\$ 5,000	\$ -	\$ -
Equity security	1,976,315	1,976,315	-	-
Mutual funds	1,081,005	1,081,005	-	-
	<b>\$ 3,062,320</b>	<b>\$ 3,062,320</b>	<b>\$ -</b>	<b>\$ -</b>

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**5. PROPERTY AND EQUIPMENT, NET**

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Property and equipment, net, consists of the following at December 31, 2017:

Miami House and improvements	\$ 2,645,638
Ft. Lauderdale House and improvements	2,113,820
Furniture and equipment	1,264,451
Vehicles	<u>25,849</u>
	6,049,758
Less accumulated depreciation	<u>(5,002,234)</u>
Total	<u><b>\$ 1,047,524</b></u>

Depreciation expense totaled approximately \$1,048,000 for the year ended December 31, 2017. As discussed in Note 1, due to the Board of Director's decision to close the Ft. Lauderdale House, the property and equipment, net related to the Ft. Lauderdale House was either disposed of, transferred to the Miami House, sold or donated in 2018. In accordance with U.S. GAAP, in September 2017, the remaining useful life of certain Ft. Lauderdale House property and equipment was reduced to reflect the shortened period of time the assets will be used until they are disposed of. As a result of this change in useful life, additional depreciation expense of approximately \$815,000 was recorded during the year ended December 31, 2017. In 2018, the estimated additional depreciation expense to be recorded related to the reduced useful life is approximately \$500,000.

**6. TEMPORARILY RESTRICTED NET ASSETS**

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Temporarily restricted net assets are available for the following purposes or periods at December 31, 2017:

Ronald McDonald House - Miami	
House operations - J. Kroc bequest	\$ 212,963
Restricted for purpose	10,000
RMHC Division	
Hispanic Student Scholarship Program	55,341
Future Achiever Scholarship Program	750
Restricted for time	<u>22,715</u>
	<u><b>\$ 301,769</b></u>

During the year ended December 31, 2017, net assets were released from donor restrictions as follows:

Ronald McDonald House - Miami	
House operations - J. Kroc bequest	\$ 29,545
Restricted for purpose	553
Ronald McDonald House - Ft. Lauderdale	
Restricted for purpose	4,500
RMHC Division	
Hispanic Student Scholarship Program	10,000
Future Achiever Scholarship Program	10,000
Restricted for purpose	<u>40,490</u>
	<u><b>\$ 95,088</b></u>

## RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

#### 7. ENDOWMENTS

The Organization's endowment consists of a donor restricted fund to support the Organization in perpetuity. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### Interpretation of Relevant Law

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Organization has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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 net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the FUPMIFA.

In accordance with the 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 fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (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;
- (7) The investment policies of the Organization.

For the year ending December 31, 2017, the Organization has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

##### Summary of Endowment Assets at December 31, 2017:

Investments	<u>\$ 1,420,010</u>
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##### Summary of Endowment Net Assets at December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 212,963	\$ 1,207,047	<u>\$ 1,420,010</u>

## RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.

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### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

#### 7. ENDOWMENTS (CONTINUED)

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##### Changes in the endowment net assets for the year ended December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, at December 31, 2016	\$ 213,978	\$ 831,617	\$ 1,045,595
Investment income	28,530	375,430	403,960
Released from restrictions	(29,545)	-	(29,545)
Endowment net assets, at December 31, 2017	<u>\$ 212,963</u>	<u>\$ 1,207,047</u>	<u>\$ 1,420,010</u>

##### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or FUPMIFA. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. The Organization did not have any such deficiencies at December 31, 2017.

##### Return Objectives and Risk Parameters

The Organization has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

##### Strategies Employed for Achieving Objectives

The endowment assets are invested in a manner that is intended to produce results that are commensurate with an intermediate-long term investment time horizon. This is expected to be achieved by assuming a moderate level of risk. The Organization expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

##### Spending Policy and How the Investment Objectives Relate to Spending Policy

The principle amount cannot be expended; however, the earnings generated by the original donated principal are available to be expended.

#### 8. LAND LEASES

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In May 1979, the Organization entered into a lease agreement with the Public Health Trust of Dade County Florida to lease land for 30 years with a renewal option for an additional 30 years. The renewal option was exercised in May 2009. The Organization constructed the Miami Ronald McDonald House on this property. Compensation paid under the lease and its renewal is \$1 per year. The Organization records rent at its net realizable value estimated by management to be \$74,491 for the year ended December 31, 2017.

Effective April 15, 2001, the Organization entered into a lease agreement with North Broward Hospital District to lease certain real property and improvements in Ft. Lauderdale for a term of 50 years. These premises are used by the Organization to operate the Ronald McDonald House in Broward County. The lease expires April 14, 2051. The annual rental for the property is \$1 plus any insurance and maintenance. The Organization records rent at its net realizable value estimated by management to be \$94,325 for the year ended December 31, 2017. As discussed in Note 1, this lease was terminated by the Organization effective March 1, 2018.



**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**9. COMMITMENTS – RMHC-GLOBAL**

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As part of an affiliation agreement, the Organization was obligated to remit 25% of certain monetary contributions received, net of normal and customary fund-raising expenses, to the RMHC-Global. Effective October 31, 2017, all donation box collection services were centralized under RMHC Global. From the date the Organization centralized, all collection revenue was sent to RMHC Global. The Organization now receives a monthly grant from RMHC Global, which represents 75% of the donation box collections for the month, net of 25% of the collection fees incurred.

For the year ended December 31, 2017 the Organization's expense to the Global Organization was \$96,818. At December 31, 2017, the Organization had no amounts due to RMHC-Global and \$136,962 receivable from RMHC-Global.

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of Ronald McDonald House Charities of South Florida, Inc., as of and for the year ended December 31, 2017, and have issued our report thereon dated September 7, 2018 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary schedules on pages 18 – 24 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*Morrison, Brown, Argiz & Farra*

Miami, Florida  
September 7, 2018

SUPPLEMENTARY SCHEDULES

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017

	<u>Total</u>	<u>Interdivision Eliminations</u>	<u>RMHC Division</u>	<u>Ronald McDonald House - Miami Division</u>	<u>Ronald McDonald House - Ft. Lauderdale Division</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 3,489,569	\$ -	\$ 3,471,929	\$ 7,525	\$ 10,115
Cash-restricted	56,091	-	56,091	-	-
Accounts receivable	252,405	-	241,515	4,310	6,580
Prepaid expenses	48,214	-	48,214	-	-
Investments, at fair value	1,775,195	-	1,775,195	-	-
Investments-temporarily restricted, at fair value	80,078	-	-	80,078	-
Deposits	7,194	-	-	2,200	4,994
Property and equipment, net	1,047,524	-	19,932	330,863	696,729
Interdivision	-	(2,972,956)	4,295,725	(1,322,769)	-
Assets restricted for permanent endowment	1,207,047	-	5,000	1,202,047	-
 Total assets	 <b>\$ 7,963,317</b>	 <b>\$ (2,972,956)</b>	 <b>\$ 9,913,601</b>	 <b>\$ 304,254</b>	 <b>\$ 718,418</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 104,392	\$ -	\$ 78,277	\$ 11,055	\$ 15,060
Interdivision	-	(2,972,956)	-	-	2,972,956
 Total liabilities	 104,392	 (2,972,956)	 78,277	 11,055	 2,988,016
<b>NET ASSETS (DEFICIT)</b>					
Unrestricted	6,350,109	-	9,751,517	(1,131,810)	(2,269,598)
Temporarily restricted	301,769	-	78,807	222,962	-
Permanently restricted	1,207,047	-	5,000	1,202,047	-
 Total net assets	 7,858,925	 -	 9,835,324	 293,199	 (2,269,598)
 Total liabilities and net assets	 <b>\$ 7,963,317</b>	 <b>\$ (2,972,956)</b>	 <b>\$ 9,913,601</b>	 <b>\$ 304,254</b>	 <b>\$ 718,418</b>

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

SUPPLEMENTARY STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>Total</b>	<b>Interdivision Eliminations</b>	<b>RMHC Division</b>	<b>Ronald McDonald House - Miami Division</b>	<b>Ronald McDonald House - Ft. Lauderdale Division</b>
<b>UNRESTRICTED NET ASSETS</b>					
Public Support and Revenue					
Gross proceeds from special events	\$ 503,481	\$ -	\$ 503,481	\$ -	\$ -
Less direct benefit costs	(258,747)	-	(258,747)	-	-
Net proceeds from special events	244,734	-	244,734	-	-
Donations	1,755,594	(166,666)	1,302,399	358,957	260,904
Guest donations	51,850	-	-	35,579	16,271
Investment return	247,945	-	247,945	-	-
Other	22,833	-	20,445	1,779	609
	2,322,956	(166,666)	1,815,523	396,315	277,784
Net Assets Released from Restrictions	95,088	-	60,490	30,098	4,500
Total public support and revenue	2,418,044	(166,666)	1,876,013	426,413	282,284
<b>EXPENSES</b>					
Program services	2,422,531	(166,666)	431,261	783,141	1,374,795
Supporting services					
Management and general	230,736	-	150,335	48,883	31,518
Fund-raising	491,447	-	409,264	57,292	24,891
Unallocated payments to RMHC Global	96,818	-	96,818	-	-
	819,001	-	656,417	106,175	56,409
Total expenses	3,241,532	(166,666)	1,087,678	889,316	1,431,204
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(823,488)	-	788,335	(462,903)	(1,148,920)
<b>UNRESTRICTED NET ASSETS (DEFICIT) AT BEGINNING OF YEAR</b>	7,173,597	-	8,963,182	(668,907)	(1,120,678)
<b>UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR</b>	\$ 6,350,109	\$ -	\$ 9,751,517	\$ (1,131,810)	\$ (2,269,598)

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

SUPPLEMENTARY STATEMENTS OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Interdivision Eliminations</u>	<u>RMHC Division</u>	<u>Ronald McDonald House - Miami Division</u>	<u>Ronald McDonald House - Ft. Lauderdale Division</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>					
Public Support and Revenue					
Contributions	\$ 69,805	\$ -	\$ 65,305	\$ -	\$ 4,500
Investment return	28,626	-	96	28,530	-
Net assets released from restrictions	<u>(95,088)</u>	<u>-</u>	<u>(60,489)</u>	<u>(30,099)</u>	<u>(4,500)</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	3,343	-	4,912	(1,569)	-
<b>TEMPORARILY RESTRICTED NET ASSETS AT BEGINNING OF YEAR</b>	<u>298,426</u>	<u>-</u>	<u>73,895</u>	<u>224,531</u>	<u>-</u>
<b>TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR</b>	<u>\$ 301,769</u>	<u>\$ -</u>	<u>\$ 78,807</u>	<u>\$ 222,962</u>	<u>\$ -</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>					
Public Support and Revenue					
Investment return	\$ 375,430	\$ -	\$ -	\$ 375,430	\$ -
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>	375,430	-	-	375,430	-
<b>PERMANENTLY RESTRICTED NET ASSETS AT BEGINNING OF YEAR</b>	<u>831,617</u>	<u>-</u>	<u>5,000</u>	<u>826,617</u>	<u>-</u>
<b>PERMANENTLY RESTRICTED NET ASSETS AT END OF YEAR</b>	<u>\$ 1,207,047</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 1,202,047</u>	<u>\$ -</u>

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

SUPPLEMENTARY STATEMENTS OF PROGRAM SERVICE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Interdivision Eliminations</u>	<u>RMHC Division</u>	<u>Ronald McDonald House - Miami Division</u>	<u>Ronald McDonald House - Ft. Lauderdale Division</u>
<b>Program Services</b>					
Salaries and related expenses	\$ 328,394	\$ -	\$ 45,812	\$ 176,396	\$ 106,186
Rent expense	163,496	-	-	75,724	87,772
Repairs and maintenance	297,009	-	-	165,501	131,508
Insurance	68,113	-	7,209	20,174	40,730
Utilities	70,677	-	-	44,080	26,597
Travel and entertainment fees	7,119	-	7,119	-	-
Supplies	244,611	-	-	174,159	70,452
Office expense	25,535	-	25,535	-	-
Promotion	53,978	-	52,328	1,650	-
Chapter grants	126,170	-	126,170	-	-
Contributions	-	(166,666)	166,666	-	-
Miscellaneous	3,156	-	422	2,734	-
 Total Expenses before Depreciation	 1,388,258	 (166,666)	 431,261	 660,418	 463,245
Depreciation	1,034,273	-	-	122,723	911,550
 Total Expenses	 <b>\$ 2,422,531</b>	 <b>\$ (166,666)</b>	 <b>\$ 431,261</b>	 <b>\$ 783,141</b>	 <b>\$ 1,374,795</b>

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

SUPPLEMENTARY STATEMENTS OF MANAGEMENT AND GENERAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Interdivision Eliminations</u>	<u>RMHC Division</u>	<u>Ronald McDonald House - Miami Division</u>	<u>Ronald McDonald House - Ft. Lauderdale Division</u>
<b>Management and General</b>					
Salaries and related expenses	\$ 37,071	\$ -	\$ 9,264	\$ 20,337	\$ 7,470
Rent expense	2,809	-	-	559	2,250
Repairs and maintenance	5,515	-	-	4,310	1,205
Insurance	898	-	-	525	373
Utilities	1,392	-	-	1,148	244
Professional fees	90,390	-	68,490	10,950	10,950
Travel and entertainment fees	9,524	-	9,496	28	-
Office expense	14,040	-	-	7,795	6,245
Promotion	51,172	-	51,172	-	-
Miscellaneous	6,754	-	4,826	35	1,893
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses before Depreciation	219,565	-	143,248	45,687	30,630
Depreciation	11,171	-	7,087	3,196	888
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<b>\$ 230,736</b>	<b>\$ -</b>	<b>\$ 150,335</b>	<b>\$ 48,883</b>	<b>\$ 31,518</b>



**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

SUPPLEMENTARY STATEMENTS OF FUND-RAISING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>Total</b>	<b>Interdivision Eliminations</b>	<b>RMHC Division</b>	<b>Ronald McDonald House - Miami Division</b>	<b>Ronald McDonald House - Ft. Lauderdale Division</b>
<b>Fund-Raising</b>					
Salaries and related expenses	\$ 161,854	\$ -	\$ 90,704	\$ 49,922	\$ 21,228
Rent expense	2,511	-	-	1,862	649
Repairs and maintenance	3,791	-	-	2,586	1,205
Insurance	688	-	-	315	373
Utilities	933	-	-	689	244
Promotion	161,916	-	161,916	-	-
Advertising	36,000	-	36,000	-	-
Canister expense	113,767	-	113,767	-	-
Miscellaneous	7,181	-	6,877	-	304
<b>Total Expenses before Depreciation</b>	<b>488,641</b>	<b>-</b>	<b>409,264</b>	<b>55,374</b>	<b>24,003</b>
Depreciation	2,806	-	-	1,918	888
<b>Total Expenses</b>	<b>\$ 491,447</b>	<b>\$ -</b>	<b>\$ 409,264</b>	<b>\$ 57,292</b>	<b>\$ 24,891</b>

**RONALD McDONALD HOUSE CHARITIES OF SOUTH FLORIDA, INC.**

SUPPLEMENTARY STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Interdivision Eliminations</u>	<u>RMHC Division</u>	<u>Ronald McDonald House - Miami Division</u>	<u>Ronald McDonald House - Ft. Lauderdale Division</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Changes in net assets	\$ (444,715)	\$ -	\$ 793,247	\$ (89,042)	\$ (1,148,920)
Adjustments to reconcile changes in net assets to net cash provided by operating activities					
Depreciation	1,048,250	-	7,087	127,837	913,326
Unrealized gain on investments	(564,619)	-	(189,189)	(375,430)	-
Change in operating assets and liabilities:					
Accounts receivable	40,240	-	22,784	10,277	7,179
Prepaid expenses	(4,522)	-	(4,522)	-	-
Accounts payable and accrued expenses	(16,674)	-	(15,963)	(5,041)	4,330
Interdivision	-	-	(604,237)	351,223	253,014
Net Cash Provided by Operating Activities	<u>57,960</u>	<u>-</u>	<u>9,207</u>	<u>19,824</u>	<u>28,929</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of property and equipment	(51,483)	-	(5,967)	(18,690)	(26,826)
Purchase of investments, net	<u>(61,267)</u>	<u>-</u>	<u>(61,267)</u>	<u>-</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(112,750)</u>	<u>-</u>	<u>(67,234)</u>	<u>(18,690)</u>	<u>(26,826)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(54,790)	-	(58,027)	1,134	2,103
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>3,600,450</u>	<u>-</u>	<u>3,586,047</u>	<u>6,391</u>	<u>8,012</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,545,660</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,528,020</u></b>	<b><u>\$ 7,525</u></b>	<b><u>\$ 10,115</u></b>