

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Financial Statements
December 31, 2008 and 2007

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Independent Auditor's Report

To The Board of Directors
Ronald McDonald House Charities
of Northwest Florida, Inc.
Pensacola, Florida

We have audited the accompanying statements of financial position of Ronald McDonald House Charities of Northwest Florida, Inc. (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the House's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Northwest Florida, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements of Ronald McDonald House Charities of Northwest Florida, Inc. taken as a whole. The accompanying supplementary information presented on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Sumlín Egstád & Company, LLP
April 30, 2009

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statements of Financial Position
December 31, 2008 and 2007

Assets

	<u>2008</u>	<u>Restated</u> <u>2007</u>
Current Assets		
Cash and equivalents	\$ 516,776	\$ 597,978
Certificates of deposit	1,177,023	1,158,362
Unconditional promises to give	447,175	60,041
Accrued interest receivable	6,559	5,736
Prepaid expenses	699	20,571
Total Current Assets	2,148,232	1,842,688
Property and equipment		
Property and equipment	857,888	842,773
Less accumulated depreciation	(492,298)	(451,890)
Total Property and Equipment	365,590	390,883
Other Assets		
Preferred stock	3,410	16,000
Long term unconditional promises to give	750,625	164,449
Construction in progress - new house	244,382	61,350
Investment in land for future expansion	767,725	1,141,719
Deposits	2,000	2,000
Total Other Assets	1,768,142	1,385,518
Total Assets	\$ 4,281,964	\$ 3,619,089

Liabilities and Net Assets

Current Liabilities		
Mortgage notes payable	\$ 0	\$ 900,000
Accrued liabilities	763	4,967
Total Current Liabilities	763	904,967
Net Assets		
Unrestricted	3,052,354	1,735,862
Temporarily restricted	677,597	427,010
Permanently restricted	551,250	551,250
Total Net Assets	4,281,201	2,714,122
Total Liabilities and Net Assets	\$ 4,281,964	\$ 3,619,089

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

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statements of Activities
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>Restated</u> <u>2007</u>
Unrestricted Revenues		
Contributions:		
Gifts	\$ 181,812	\$ 220,926
Inkind gifts	91,318	44,052
Memorials	6,298	8,786
Total contributions	279,428	273,764
Special event revenue	221,323	220,103
Less direct expenses	(60,438)	(54,898)
Net special event revenue	160,885	165,205
Investment return	66,997	72,096
Gain on sale of land	383,506	0
Other revenues	3,041	24,859
Total Unrestricted Revenues	893,857	535,924
Net assets released from restrictions		
Satisfaction of contribution restrictions	1,135,140	262,501
Total Unrestricted Revenues and Net Assets Released	2,028,997	798,425
Expenses		
Program services	406,853	347,404
Supporting services:		
Management and general	49,414	46,872
Fundraising	71,855	64,171
Capital campaign	184,383	201,730
Total supporting services	305,652	312,773
Total expenses	712,505	660,177
Increase in Unrestricted Net Assets	1,316,492	138,248
Temporarily Restricted Net Assets		
Contributions	1,385,727	688,511
Net assets released from restrictions	(1,135,140)	(262,501)
Increase in Temporarily Restricted Net Assets	250,587	426,010
Permanantly Restricted Net Assets		
Contributions	-	25,000
Increase in Permanantly Restricted Net Assets	-	25,000
Increase in Net Assets	1,567,079	589,258
Net Assets, Beginning of Year	2,714,122	2,124,864
Net Assets, End of Year	\$ 4,281,201	\$ 2,714,122

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

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>Restated</u> <u>2007</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,567,079	\$ 589,258
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities -		
Depreciation	49,153	46,982
Non cash contributions of assets	(17,330)	(415,471)
Gain on sale of land	(383,506)	-
Net loss(gain) on investments	12,590	1,462
Changes in -		
Unconditional promises to give	(973,310)	(224,490)
Accrued interest receivable	(823)	8,152
Prepaid expenses	19,872	(19,934)
Accrued liabilities	(4,204)	(3,644)
Net Cash Provided (Used) by Operating Activities	<u>269,521</u>	<u>(17,685)</u>
Cash Flows from Investing Activities		
Net proceeds from sale of land	1,525,225	404,529
Changes in certificates of deposit	(18,661)	(71,440)
Additions to construction in progress - new house	(183,032)	(36,350)
Purchases of land and property and equipment	(774,255)	-
Net Cash Provided by Investing Activities	<u>549,277</u>	<u>296,739</u>
Cash Flows from Financing Activities		
Payoff of mortgage note borrowings	(900,000)	-
Net Cash Used by Financing Activities	<u>(900,000)</u>	<u>-</u>
Increase (Decrease) in Cash	(81,202)	279,054
Cash, Beginning of Year	<u>597,978</u>	<u>318,924</u>
Cash, End of Year	<u>\$ 516,776</u>	<u>\$ 597,978</u>

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

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies

Organization and Program Activities

The Ronald McDonald House Charities of Northwest Florida, Inc. (House) is a Florida “not-for-profit” corporation, incorporated in 1981 under the name Gulf Coast Children’s Medical Foundation, Inc. There is no paid-in capital or shareholders and the daily affairs are governed by the Board of Directors. The primary purpose is providing a home-away-from-home for parents of children who are suffering from a medical crisis at a local medical facility.

Financial Statement Presentation

Financial Statement presentation follows the recommendations of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the House is required to report 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. The House had unrestricted, temporarily restricted, and permanently restricted net assets as of December 31, 2008 and 2007.

Contributions

Contributions are recognized when donors make promises to give that are, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted revenues, depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are 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 purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted net assets.

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies - Continued

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value on date of gift. The House capitalizes all asset acquisitions over \$500. Depreciation is provided for on the straight line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	7-40 years
Furniture and fixtures	2-10 years
Equipment	3-7 years

Donated Materials and Services

Donated materials are recorded in the financial statements at their estimated fair value on the date of gift. A number of volunteers donate a significant amount of their time to the organization; however, these donated services have not been reflected in the financial statements since no objective basis is available to measure the value of such services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program, fundraising, and management and general expenses.

Income Taxes

The House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recognized.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2008 and 2007

Note 2 - Cash and Equivalents

Instruments with original maturities of three months or less are considered cash equivalents. Cash and equivalents at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Cash in bank	\$ 512,813	\$ 192,420
Cash in broker money market accounts	<u>3,963</u>	<u>405,558</u>
	<u>\$ 516,776</u>	<u>\$ 597,978</u>

Note 3 - Concentration of Credit Risk

The House maintains cash and certificates of deposits at five separate financial institutions. Cash accounts at each bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. As of December 31, 2008, FDIC coverage was temporarily increased to \$250,000 at each financial institution. Also, unlimited coverage is temporarily provided for non-interest bearing transaction accounts at financial institutions participating in the FDIC's Transaction Account Guarantee Program. At December 31, 2007, the insured limit was \$100,000 per institution. At December 31, 2008 and 2007, the House had cash balances held by financial institutions in excess of insured limits of \$494,106 and \$928,006, respectively. On January 1, 2010, FDIC coverage is scheduled to return to \$100,000 per institution for most balances.

Note 4 - Investments

The market value of long term investments held at December 31, 2008 and 2007 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Preferred stocks	\$ <u>3,410</u>	\$ <u>16,000</u>

Short term investments as of December 31, 2008 and 2007 consist of certificates of deposit with maturities over three months and less than one year totaling \$1,177,023 and \$1,158,362, respectively.

Investment return is summarized as follows:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 79,587	\$ 73,558
Net realized and unrealized losses	<u>(12,590)</u>	<u>(1,462)</u>
Net gain on investment securities	<u>\$ 66,997</u>	<u>\$ 72,096</u>

Ronald McDonald House Charities of Northwest Florida, Inc.
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Notes to Financial Statements
December 31, 2008 and 2007

Note 5 – Promise to Give

Unconditional promises to give at December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 481,083	\$ 66,329
Receivable in one to five years	<u>831,727</u>	<u>181,253</u>
Total unconditional promises to give	1,312,810	247,582
Less unamortized discounts	(91,011)	(18,092)
Less allowance for uncollectible promises	<u>(24,000)</u>	<u>(5,000)</u>
Net unconditional promises to give	<u>\$ 1,197,799</u>	<u>\$ 224,490</u>

Long term promises to give are recognized at fair value, using present value techniques and discount rates that ranged from 4% to 4.25%.

Note 6 - Property and Equipment

Property and equipment consists of the following as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Building and improvements	\$ 666,957	\$ 666,957
Furniture and fixtures	83,020	72,690
Equipment	<u>107,911</u>	<u>103,126</u>
	857,888	842,773
Less accumulated depreciation	<u>(492,298)</u>	<u>(451,890)</u>
	<u>\$ 365,590</u>	<u>\$ 390,883</u>

Note 7 - Mortgage Notes Payable

The House had two mortgage notes payable as of December 31, 2007 to a bank which was secured by land purchased originally for the construction of a new home. Both notes together totaled \$900,000, and were paid off upon the sale of this land on January 22, 2008.

Interest expense and interest paid for the years ended December 31, 2008 and 2007 totaled \$6,854 and \$66,415, respectively.

Ronald McDonald House Charities of Northwest Florida, Inc.
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Notes to Financial Statements
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Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of capital funds raised through a capital campaign for the purpose of constructing a new house. The balance as of December 31, 2008 is net of campaign expenses and construction in progress costs.

Note 9 - Permanently Restricted Net Assets

The House received a gift in 1993 to create an endowment to be held in perpetuity for the benefit of the Ronald McDonald House. The assets purchased with this contribution have been pooled with other investment securities as summarized above in Note 4. Further, the gift instrument restricts the income to be used for operating expenses of the House. The income therefrom is considered as an increase in unrestricted net assets since the House deems the restriction as met in the same reporting period.

The House received a \$25,000 gift in 2007 to create an endowment to be held in perpetuity and the income therefrom to fund interns and volunteer training through the Lisa Shawyer Memorial Internship and Volunteer Program.

Note 10 - Leases

In 1984, the House entered into a 50-year lease agreement with Sacred Heart Hospital of Pensacola for land on which the Ronald McDonald House was constructed. The agreement restricts the use of the land to the construction and operation of the Ronald McDonald House. The total rent for the 50 year lease term is \$500. Also, the House leases a copier machine which is classified as an operating lease.

Note 11 - Savings Incentive Match Plan for Employees

The House established a Savings Incentive Plan for Employees (SIMPLE IRA Plan) that covers all employees of the House who have received at least \$5,000 in compensation during the preceding year and are expected to receive at least \$5,000 in compensation during the current year. Employees may elect to make voluntary contributions to the Plan. The House will make a 2% non-elective contribution to each eligible participant's SIMPLE IRA. For the years ended December 31, 2008 and 2007, the House contributed \$2,766 and \$1,611, respectively.

Ronald McDonald House Charities of Northwest Florida, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2008 and 2007

Note 12 - New House

In 2005 and 2006, the House purchased land to build a new house to expand its capacity. Beginning in 2006 and also in 2007, the House incurred \$61,350 in architectural costs related to the design of a new house which have been capitalized. In late 2007, the House began negotiating with Sacred Heart Hospital to purchase a site for the new house on its campus.

In January 2008, the House sold the land it purchased originally for the new house. At the same time the House purchased land from Sacred Heart, and renegotiated its lease (See Note 10) with Sacred Heart for them to terminate the lease 60 days after the House is issued a certificate of occupancy for the new facility. In addition, upon termination of the lease, Sacred Heart will reimburse the House \$300,000 for the improvements the House made on the leased property.

Note 13 – Restated 2007 Financial Statements

During the year ended December 31, 2008, the House determined it made an error in characterizing unconditional and conditional promises to give as of December 31, 2007. The fair value of unconditional promises to give was not originally included in the 2007 financial statements. The 2007 financial statements have been corrected for this error and restated by increasing assets, temporarily restricted net assets and temporarily restricted contributions, by \$224,490, (See Note 5).

SUPPLEMENTARY INFORMATION

