

RONALD MCDONALD HOUSE CHARITIES OF NORTH CAROLINA, INC.

Audited Financial Statements

December 31, 2017 and 2016



Ronald McDonald
House Charities®
North Carolina

Ronald McDonald House Charities of North Carolina, Inc.

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Independent Auditors' Report

To the Board of Directors
Ronald McDonald House Charities of North Carolina, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of Ronald McDonald House Charities of North Carolina, Inc. (the Organization) as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of North Carolina, Inc. as of December 31, 2017 and 2016, and the changes in its net assets, functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

FRSCPA, PLLC

St. Petersburg, Florida
June 14, 2018

**Ronald McDonald House Charities
of North Carolina, Inc.
Statements of Financial Position
December 31, 2017 and 2016**

<i>December 31,</i>	2017	2016
ASSETS		
Current assets		
Cash and equivalents	\$ 595,361	\$ 429,624
Contributions receivable	141,637	209,478
Total current assets	736,998	639,102
Furniture and fixtures	461,721	461,721
Less: Accumulated depreciation	(461,721)	(461,721)
Furniture and fixtures, net	-	-
TOTAL ASSETS	\$ 736,998	\$ 639,102
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 5,929	\$ 70,575
Scholarships payable	31,250	31,250
Total current liabilities	37,179	101,825
Net Assets		
Unrestricted	699,819	537,277
Total net assets	699,819	537,277
TOTAL LIABILITIES AND NET ASSETS	\$ 736,998	\$ 639,102

See accompanying notes to financial statements.

**Ronald McDonald House Charities
of North Carolina, Inc.**
Statements of Activities and Changes in Net Assets
Years ended December 31, 2017 and 2016

<i>Year ended December 31,</i>	2017	2016
REVENUES:		
Donations	\$ 22,008	\$ 23,986
Contributions		
Canister receipts	629,194	653,768
Fry program	242,598	215,766
In-kind donations from RMHC-Global	–	21,598
Other	10,861	12,193
Promotional fundraising activities		
Thanks For Giving	21,205	–
Helping Hands	–	94,538
Grant for excellence	–	25,000
365 Promotion	137,503	97,400
Other	138,226	20,281
Investment income	324	379
Total revenues	1,201,919	1,164,909
EXPENSES		
Program services	778,082	702,357
Supporting services		
Management and general	41,185	42,585
Fundraising	113,845	191,466
Unallocated payments to RMHC-Global	106,265	130,059
Total expenses	1,039,377	1,066,467
Change in Net Assets	162,542	98,442
Net assets, beginning of year	537,277	438,835
Net assets, end of year	\$ 699,819	\$ 537,277

See accompanying notes to financial statements.

**Ronald McDonald House Charities
of North Carolina, Inc.
Statements of Cash Flows
Years ended December 31, 2017 and 2016**

<i>Year ended December 31,</i>	2017	2016
Cash flow from operating activities:		
Change in net assets	\$ 162,542	\$ 98,442
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	–	13,463
Changes in operating assets and liabilities:		
Contributions receivable	67,841	(82,561)
Accounts payable	(64,646)	35,811
Scholarships payable	–	500
Net cash provided by operating activities	165,737	65,655
Net increase in cash	165,737	65,655
Cash and equivalents, beginning of the year	429,624	363,969
Cash and equivalents, end of the year	\$ 595,361	\$ 429,624

See accompanying notes to financial statements.

Ronald McDonald House Charities of North Carolina, Inc.
Statement of Functional Expenses
Year ended December 31, 2017

	PROGRAM SERVICES				SUPPORTING SERVICES			2017 Total
	Grant Making	Scholarship	McDonald's Night	Total	Mgt & general	Fund- raising	Total	
Accounting fees	\$ –	\$ –	\$ –	\$ –	\$ 5,788	\$ –	\$ 5,788	\$ 5,788
External services	5,188	2,075	1,038	8,301	12,450	–	12,450	20,751
Bank charges	–	–	–	–	454	–	454	454
Canister expenses	–	–	–	–	–	98,450	98,450	98,450
Food cost	–	–	13,834	13,834	–	–	–	13,834
Insurance	–	–	–	–	3,175	–	3,175	3,175
Professional services	75,000	–	–	75,000	–	–	–	75,000
Marketing and promotion	–	–	–	–	–	15,395	15,395	15,395
Audit	–	–	–	–	11,000	–	11,000	11,000
RMH Conference	–	–	–	–	2,297	–	2,297	2,297
Grants	676,250	–	–	676,250	–	–	–	676,250
Gifts and donations	4,697	–	–	4,697	–	–	–	4,697
Miscellaneous	–	–	–	–	6,021	–	6,021	6,021
	\$761,135	\$2,075	\$14,872	\$778,082	\$41,185	\$113,845	\$155,030	933,112
Unallocated payments to RMHC Global								106,265
Total expenses								\$1,039,377

See accompanying notes to financial statements.

Ronald McDonald House Charities of North Carolina, Inc.
Statement of Functional Expenses
Year ended December 31, 2016

	PROGRAM SERVICES				SUPPORTING SERVICES			2016 Total
	Grant Making	Scholarship	McDonald's Night	Total	Mgt & general	Fund- raising	Total	
Accounting fees	\$ –	\$ –	\$ –	\$ –	\$ 6,000	\$ –	\$ 6,000	\$ 6,000
External services	6,000	2,400	1,200	9,600	14,400	–	14,400	24,000
Bank charges	–	–	–	–	93	–	93	93
Canister expenses	–	–	–	–	–	149,100	149,100	149,100
Food cost	–	–	17,727	17,727	–	–	–	17,727
Insurance	–	–	–	–	3,158	–	3,158	3,158
Professional services	117,374	–	–	117,374	–	–	–	117,374
Marketing and promotion	–	–	–	–	–	20,768	20,768	20,768
Depreciation	13,463	–	–	13,463	–	–	–	13,463
Audit	–	–	–	–	10,750	–	10,750	10,750
RMH Conference	–	–	–	–	1,532	–	1,532	1,532
Grants	537,500	–	–	537,500	–	–	–	537,500
In-kind canister expense	–	–	–	–	–	21,598	21,598	21,598
Gifts and donations	6,693	–	–	6,693	–	–	–	6,693
Miscellaneous	–	–	–	–	6,652	–	6,652	6,652
Total expenses	\$681,030	\$2,400	\$18,927	\$702,357	\$42,585	\$191,466	\$234,051	936,408
Unallocated payments to RMHC Global								130,059
Total expenses								\$1,066,467

See accompanying notes to financial statements.

Ronald McDonald House Charities of North Carolina, Inc.

Notes to financial statements December 31, 2017 and 2016

1. Nature and purpose of the Organization

Ronald McDonald House Charities of North Carolina, Inc. (RMHC of NC) is a non-profit organization. RMHC of NC, formerly Ronald McDonald Children's Charities of North Carolina, Inc., was incorporated October 1984 in Raleigh, North Carolina.

RMHC of NC creates, finds and supports programs that directly improve the health and well-being of children. The core program of RMHC of NC, the seven North Carolina Ronald McDonald Houses, focuses on families in need. Ronald McDonald Houses provide overnight lodging for seriously ill children, and their families, who are receiving treatment at nearby hospitals. In addition, RMHC of NC makes grants to not-for-profit organizations that help children and families.

RMHC of NC also acts as an intermediary for the Ronald McDonald House Charities - Global office (RMHC-Global) and area McDonald restaurant owners to disburse scholarship funds to eligible recipients.

RMHC of NC's funding comes from North Carolina McDonald's restaurant owner donations, McDonald's customer donations at in-store donation canisters, and promotional fundraisers from the corporate and civic communities as well as matching and other funds from RMHC-Global.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

Unrestricted net assets consist of amounts that are available for use in carrying out the activities of the Organization. Temporarily restricted net assets represent those amounts which are not available until future periods or are donor restricted for specific purposes.

**Ronald McDonald House Charities
of North Carolina, Inc.
Notes to financial statements
December 31, 2017 and 2016**

Use of Estimates

The preparation of financial statements in accordance 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 the 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 may differ from such estimates and such differences could be material.

Cash and equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

Contributions and contributions receivable

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. All of the Organization's contributions receivables are due within one year. Contributions receivable are written off when deemed uncollectible.

Donations and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

The Organization, on occasion, acts as an agent or intermediary on behalf of donors and has no discretion in the use of the contributed funds. In such cases, the Organization records a liability when it receives the funds from the donor. No revenue or expense is recorded related to these agency transactions. For the years ended December 31, 2017 and 2016, RMHC of NC collected and distributed \$59,000 and \$59,500, respectively, related to its scholarship program.

**Ronald McDonald House Charities
of North Carolina, Inc.
Notes to financial statements
December 31, 2017 and 2016**

Property and Equipment

RMHC of NC capitalizes property and equipment over \$1,000. Purchased property and equipment is capitalized at cost. Property and equipment consists of contribution canisters located in McDonalds restaurants and is depreciated using the straight-line method over estimated useful lives of seven years.

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

Donated Assets, Property and Equipment, and Services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. 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.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

**Ronald McDonald House Charities
of North Carolina, Inc.
Notes to financial statements
December 31, 2017 and 2016**

Net Assets

RMHC of NC 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.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. When a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class. RMHC of NC did not have any temporarily or permanently restricted net assets as of December 31, 2017 or 2016.

Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

From time to time, the Organization is notified that it has been named as a beneficiary in the estate of an individual under revocable agreements. Such amounts are recorded as contributions upon the passing of the donor and as the amounts become irrevocable and determinable.

Income Tax Status

Ronald McDonald House Charities of North Carolina, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**Ronald McDonald House Charities
of North Carolina, Inc.
Notes to financial statements
December 31, 2017 and 2016**

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The tax years of 2014 and thereafter remain open to IRS and North Carolina Department of Revenue review.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. Other expenses are allocated based on management's estimate of the benefit derived by each activity.

Fair Value of Financial Instruments

The fair value of financial instruments is measured as the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs corroborated by market data.
- Level 3: Unobservable inputs not corroborated by market data.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and equivalents, contributions receivable, accounts payable and scholarships payable.

Ronald McDonald House Charities of North Carolina, Inc.

Notes to financial statements December 31, 2017 and 2016

3. Transactions with Related Parties

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as “Chapters” within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. For the years ended December 31, 2017 and 2016, RMHC of NC incurred costs of \$106,265 and \$130,059, respectively, which were either paid or payable to RMHC-Global. As of December 31, 2017 and 2016, the Organization owed RMHC-Global \$0 and \$34,936, respectively.

**Ronald McDonald House Charities
of North Carolina, Inc.
Notes to financial statements
December 31, 2017 and 2016**

4. Grants paid and payable

Grants paid to the sponsored houses and other organizations for the years ended December 31 are as follows:

<i>Year ended December 31,</i>	2017	2016
Chapel Hill House	\$ 56,000	\$ 56,000
Durham House	91,000	91,000
Greenville House	256,000	91,000
Greenville House-in-Hospital	25,000	–
Winston-Salem House	92,250	66,000
Charlotte House	56,000	76,000
Other organizations	100,000	157,500
	\$ 676,250	\$ 537,500

At December 31, 2017, RMHC of NC had commitments of \$680,000 to support operations and expansion of Ronald McDonald Houses and to fund grants to other organizations, which are expected to be paid in 2018 or later.

5. Concentrations

RMHC of NC receives a major portion of its revenue and support from North Carolina McDonald's stores. Such economic dependence on one source of revenue would have a severe impact on the operations of RMHC of NC should McDonald's stores cease to provide this revenue source.

6. Subsequent Events

Management evaluated subsequent events through June 14, 2018, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.