

# RONALD MCDONALD HOUSE CHARITIES OF NORTH CAROLINA, INC.

Audited Financial Statements

December 31, 2018 and 2017



# 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, 2018 and 2017, 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 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, 2018 and 2017, 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  
September 5, 2019

**Ronald McDonald House Charities  
of North Carolina, Inc.  
Statements of Financial Position  
December 31, 2018 and 2017**

<i>December 31,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 770,767	\$ 595,361
Contributions receivable	50,077	141,637
Total current assets	<b>820,844</b>	736,998
Furniture and fixtures	–	461,721
Less: Accumulated depreciation	–	(461,721)
Furniture and fixtures, net	–	–
<b>TOTAL ASSETS</b>	<b>\$ 820,844</b>	\$ 736,998
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,134	\$ 5,929
Scholarships payable	26,250	31,250
Total current liabilities	<b>27,384</b>	37,179
<b>Net Assets</b>		
Without donor restrictions	<b>793,460</b>	699,819
Total net assets	<b>793,460</b>	699,819
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 820,844</b>	\$ 736,998

*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, 2018 and 2017**

<i>Year ended December 31,</i>	<b>2018</b>	<b>2017</b>
<b>REVENUES:</b>		
Donations	\$ 70,430	\$ 22,008
Contributions		
Canister receipts	301,812	629,194
Fry program	215,125	242,598
Other	10,000	10,861
Promotional fundraising activities		
365 Promotion	159,942	137,503
Shamrock Shake	33,285	65,140
National fundraiser	134,235	–
Thanks For Giving	–	21,205
Other	28,334	73,086
Investment income	320	324
<b>Total revenues</b>	<b>953,483</b>	<b>1,201,919</b>
<b>EXPENSES</b>		
Program services	803,875	778,082
Supporting services		
Management and general	45,622	41,185
Fundraising	10,345	113,845
Unallocated payments to RMHC-Global	–	106,265
<b>Total expenses</b>	<b>859,842</b>	<b>1,039,377</b>
<b>Change in net assets</b>	<b>93,641</b>	<b>162,542</b>
<b>Net assets, beginning of year</b>	<b>699,819</b>	<b>537,277</b>
<b>Net assets, end of year</b>	<b>\$ 793,460</b>	<b>\$ 699,819</b>

*See accompanying notes to financial statements.*

**Ronald McDonald House Charities  
of North Carolina, Inc.  
Statements of Cash Flows  
Years ended December 31, 2018 and 2017**

<i>Year ended December 31,</i>	<b>2018</b>	<b>2017</b>
Cash flow from operating activities:		
Change in net assets	<b>\$ 93,641</b>	\$162,542
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	<b>91,560</b>	67,841
Accounts payable	<b>(4,795)</b>	(64,646)
Scholarships payable	<b>(5,000)</b>	—
Net cash provided by operating activities	<b>175,406</b>	165,737
Net increase in cash	<b>175,406</b>	165,737
Cash and cash equivalents, beginning of the year	<b>595,361</b>	429,624
Cash and cash equivalents, end of the year	<b>\$770,767</b>	\$595,361

*See accompanying notes to financial statements.*

**Ronald McDonald House Charities of North Carolina, Inc.**  
**Statement of Functional Expenses**  
**Year ended December 31, 2018**

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>			<b>2018 Total</b>
	Grant Making	Scholarship	McDonald's Night	Total	Mgt & general	Fund- raising	Total	
Accounting fees	\$ –	\$ –	\$ –	\$ –	\$ 7,053	\$ –	\$ 7,053	\$ 7,053
External services	4,875	1,950	975	7,800	11,700	–	11,700	19,500
Bank charges	–	–	–	–	180	–	180	180
Food cost	–	–	15,015	15,015	–	–	–	15,015
Insurance	–	–	–	–	4,072	–	4,072	4,072
Professional services	86,805	–	–	86,805	–	–	–	86,805
Marketing and promotion	–	–	–	–	–	9,852	9,852	9,852
Audit	–	–	–	–	11,000	–	11,000	11,000
Grants	689,555	–	–	689,555	–	–	–	689,555
Gifts and donations	4,700	–	–	4,700	–	–	–	4,700
Miscellaneous	–	–	–	–	11,617	493	12,110	12,110
	<b>\$785,935</b>	<b>\$1,950</b>	<b>\$15,990</b>	<b>\$803,875</b>	<b>\$45,622</b>	<b>\$10,345</b>	<b>\$55,967</b>	859,842
Unallocated payments to RMHC Global								–
Total expenses								<b>\$859,842</b>

*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
	<b>\$761,135</b>	<b>\$2,075</b>	<b>\$14,872</b>	<b>\$778,082</b>	<b>\$41,185</b>	<b>\$113,845</b>	<b>\$155,030</b>	933,112
Unallocated payments to RMHC Global								106,265
Total expenses								<b>\$1,039,377</b>

See accompanying notes to financial statements.

# Ronald McDonald House Charities of North Carolina, Inc.

## Notes to financial statements December 31, 2018 and 2017

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### 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 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.

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Notes to financial statements  
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**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.

**Net assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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**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.

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, 2018 and 2017, RMHC of NC distributed \$1,000 and \$59,000, respectively, related to its scholarship program.

**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.

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**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 net assets with donor restrictions to net assets without donor restrictions 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.

**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 net assets with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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**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).

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 2015 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.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

# Ronald McDonald House Charities of North Carolina, Inc.

## Notes to financial statements December 31, 2018 and 2017

### **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.

### **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

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network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development.

Prior to 2018, the Organization remitted to RMHC Global 25% of its revenues from national fundraising efforts facilitated by RMHC Global, as defined by the license agreement, and recorded the 25% portion remitted to RMHC Global as a fundraising expense. For the year ended December 31, 2017, RMHC of NC incurred fundraising costs of \$106,265.

Beginning in 2018, RMHC Global began collecting and remitting the proceeds to RMHC of NC, removing the 25% portion due to RMHC of NC. As such, starting in 2018, RMHC of NC records only the proceeds received from RMHC Global as fundraising revenue.

**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>	<b>2018</b>	2017
Chapel Hill House	<b>\$ 66,000</b>	\$ 56,000
Durham House	<b>91,000</b>	91,000
Greenville House	<b>266,000</b>	256,000
Greenville House-in-Hospital	<b>25,000</b>	25,000
Winston-Salem House	<b>56,000</b>	92,250
Charlotte House	<b>66,000</b>	56,000
Other organizations	<b>119,555</b>	100,000
	<b>\$ 689,555</b>	\$ 676,250

At December 31, 2018, RMHC of NC had commitments of \$1,760,400 to support operations and expansion of Ronald McDonald Houses and to fund grants to other organizations, which are expected to be paid in future years through 2023.



**Ronald McDonald House Charities  
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**5. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

<i>December 31,</i>	<b>2018</b>
Cash and cash equivalents	<b>\$770,767</b>
Contributions receivable	<b>50,077</b>
	<b>\$820,844</b>

**6. 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.

**7. Subsequent Events**

Management evaluated subsequent events through September 5, 2019, 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.