

RONALD MCDONALD HOUSE CHARITIES OF NORTH CAROLINA, INC.

Audited Financial Statements

December 31, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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 29, 2020

**Ronald McDonald House Charities
of North Carolina, Inc.
Statements of Financial Position
December 31, 2019 and 2018**

<i>December 31,</i>	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,061,743	\$ 770,767
Contributions receivable	89,024	50,077
Total current assets	1,150,767	820,844
TOTAL ASSETS	\$ 1,150,767	\$ 820,844
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 5,512	\$ 1,134
Scholarships payable	30,250	26,250
Total current liabilities	35,762	27,384
Net Assets		
Without donor restrictions	1,115,005	793,460
Total net assets	1,115,005	793,460
TOTAL LIABILITIES AND NET ASSETS	\$ 1,150,767	\$ 820,844

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, 2019 and 2018

<i>Year ended December 31,</i>	2019	2018
REVENUES:		
Donations	\$ 35,992	\$ 70,430
Contributions		
Canister receipts	330,720	301,812
Fry program	240,716	215,125
Other	5,900	10,000
Promotional fundraising activities		
365 Promotion	173,364	159,942
Round Up	113,970	–
Shamrock Shake	52,182	33,285
National fundraiser	156,505	134,235
Thanks For Giving	–	–
Other	9,035	28,334
Investment income	282	320
Total revenues	1,118,666	953,483
EXPENSES		
Program services	735,764	803,875
Supporting services		
Management and general	54,409	45,622
Fundraising	6,948	10,345
Total expenses	797,121	859,842
Change in net assets	321,545	93,641
Net assets, beginning of year	793,460	699,819
Net assets, end of year	\$ 1,115,005	\$ 793,460

See accompanying notes to financial statements.

**Ronald McDonald House Charities
of North Carolina, Inc.
Statements of Cash Flows
Years ended December 31, 2019 and 2018**

<i>Year ended December 31,</i>	2019	2018
Cash flow from operating activities:		
Change in net assets	\$ 321,545	\$ 93,641
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	(38,947)	91,560
Accounts payable	4,378	(4,795)
Scholarships payable	4,000	(5,000)
Net cash provided by operating activities	290,976	175,406
Net increase in cash	290,976	175,406
Cash and cash equivalents, beginning of the year	770,767	595,361
Cash and cash equivalents, end of the year	\$1,061,743	\$770,767

See accompanying notes to financial statements.

Ronald McDonald House Charities of North Carolina, Inc.
Statement of Functional Expenses
Year ended December 31, 2019

	PROGRAM SERVICES				SUPPORTING SERVICES			2019 Total
	Grant Making	Scholarship	McDonald's Night	Total	Mgt & general	Fund- raising	Total	
Grants to organizations	\$640,000	\$ –	\$ –	\$640,000	\$ –	\$ –	\$ –	640,000
Accounting fees	–	–	–	–	11,703	–	11,703	\$ 11,703
External services	4,963	1,985	993	7,941	11,912	–	11,912	19,853
Bank charges	–	–	–	–	204	–	204	204
Food cost	–	–	15,767	15,767	–	–	–	15,767
Insurance	–	–	–	–	2,788	–	2,788	2,788
Professional services	72,056	–	–	72,056	5,000	–	–	77,056
Marketing and promotion	–	–	–	–	–	5,974	5,974	5,974
Audit and tax services	–	–	–	–	11,000	–	11,000	11,000
Other	–	–	–	–	16,808	973	17,781	17,781
	\$717,019	\$1,985	\$16,760	\$735,764	\$59,415	\$6,947	\$66,362	802,126
Unallocated payments to RMHC Global								–
Total expenses								\$802,126

See accompanying notes to financial statements.

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

	PROGRAM SERVICES				SUPPORTING SERVICES			2018 Total
	Grant Making	Scholarship	McDonald's Night	Total	Mgt & general	Fund- raising	Total	
Grants to organizations	\$689,555	\$ –	\$ –	\$689,555	\$ –	\$ –	\$ –	\$689,555
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
Gifts and donations	4,700	–	–	4,700	–	–	–	4,700
Miscellaneous	–	–	–	–	11,617	493	12,110	12,110
	\$785,935	\$1,950	\$15,990	\$803,875	\$45,622	\$10,345	\$55,967	859,842
Unallocated payments to RMHC Global								–
Total expenses								\$859,842

See accompanying notes to financial statements.

Ronald McDonald House Charities of North Carolina, Inc.

Notes to financial statements December 31, 2019 and 2018

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.

**Ronald McDonald House Charities
of North Carolina, Inc.
Notes to financial statements
December 31, 2019 and 2018**

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.

**Ronald McDonald House Charities
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Notes to financial statements
December 31, 2019 and 2018**

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, 2019 and 2018, RMHC of NC distributed \$0 and \$7,000, respectively, related to its scholarship program.

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

Ronald McDonald House Charities of North Carolina, Inc.

Notes to financial statements December 31, 2019 and 2018

substantially met. Contributions, grants, and bequests are recognized as 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.

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 2016 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.

Ronald McDonald House Charities of North Carolina, Inc.

Notes to financial statements December 31, 2019 and 2018

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

**Ronald McDonald House Charities
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Notes to financial statements
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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.

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>	2019	2018
RMH - Chapel Hill House	\$126,000	\$ 66,000
RMH - Durham House	91,000	91,000
RMH - Greenville House	76,000	266,000
RMH - Greenville House-in-Hospital	25,000	25,000
RMH - Winston-Salem House	76,000	56,000
RMH - Charlotte House	66,000	66,000
Other nonprofit organizations	180,000	119,555
	\$640,000	\$689,555

At December 31, 2019, RMHC of NC had commitments of \$1,780,000 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
of North Carolina, Inc.
Notes to financial statements
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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>	2019
Cash and cash equivalents	\$1,061,743
Contributions receivable	89,024
	\$1,150,767

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 June 29, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including the receipt of contributions. Management believes the Organization is taking appropriate actions to mitigate the negative impact. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end are still developing.