

**RONALD MCDONALD HOUSE CHARITIES OF  
EASTERN NORTH CAROLINA, INC.**

Financial Statements

December 31, 2022 and 2021



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Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of Eastern North Carolina, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Eastern North Carolina, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of Eastern North Carolina, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Eastern North Carolina, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ronald McDonald House Charities of Eastern North Carolina, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities of Eastern North Carolina, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Thomas, Judy & Dicks, P.A.*

Durham, North Carolina  
August 27, 2023

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and Cash Equivalents	\$ 392,962	\$ 642,785
Accounts Receivable	55,380	43,840
Tax Credit Refund		238,011
Contributions Receivable		10,000
Contribution Receivable, Facilities Use, Current	93,899	89,428
Inventory	52,898	26,035
Investments	4,159,877	4,552,025
Prepaid Expenses and Other Current Assets	28,718	15,429
	4,783,734	5,617,553
Total Current Assets		
Long-Term Contribution Receivable, Facilities Use, Net	202,118	296,017
Property and Equipment, Net	3,889,900	4,028,089
	\$ 8,875,752	\$ 9,941,659
	\$ 8,875,752	\$ 9,941,659
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 14,365	\$ 12,017
Accrued Payroll Taxes and Vacation	11,319	11,558
	25,684	23,575
Total Liabilities		
Net Assets:		
Without Donor Restrictions:		
Undesignated	3,390,459	4,114,919
Designated by Board for Operating Expense Reserve	500,000	500,000
Designated by Board for Quasi-Endowment	212,376	291,513
Invested in Property and Equipment	3,889,900	4,028,089
With Donor Restrictions	857,333	983,563
	8,850,068	9,918,084
Total Net Assets		
Total Liabilities and Net Assets	\$ 8,875,752	\$ 9,941,659
	\$ 8,875,752	\$ 9,941,659

See Accompanying Notes

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 603,693	\$ 47,480	\$ 651,173	\$ 762,547	\$ 59,541	\$ 822,088
Contribution of Nonfinancial Assets	337,933	19,272	357,205	309,019	23,531	332,550
Special Events Income, Net of Fees of \$30,512 in 2022 and \$22,878 in 2021	65,378		65,378	39,552		39,552
Grant Revenue				104,667		104,667
Other Income	10,281		10,281	11,399		11,399
Employer Retention Tax Credit				238,011		238,011
Investment Earnings (Loss)	(660,920)		(660,920)	551,248		551,248
<b>Total Support and Revenue</b>	<b>356,365</b>	<b>66,752</b>	<b>423,117</b>	<b>2,016,443</b>	<b>83,072</b>	<b>2,099,515</b>
Net Assets Released from Restrictions	192,982	(192,982)		178,578	(178,578)	
<b>Total Support, Revenue and Net Assets Released from Restrictions</b>	<b>549,347</b>	<b>(126,230)</b>	<b>423,117</b>	<b>2,195,021</b>	<b>(95,506)</b>	<b>2,099,515</b>
Expenses:						
Program Expenses:						
Ronald McDonald House of ENC	764,411		764,411	663,855		663,855
Ronald McDonald House at VMC	334,093		334,093	308,964		308,964
Management and General	280,159		280,159	245,246		245,246
Fundraising	112,470		112,470	106,056		106,056
<b>Total Expenses</b>	<b>1,491,133</b>		<b>1,491,133</b>	<b>1,324,121</b>		<b>1,324,121</b>
Change in Net Assets	(941,786)	(126,230)	(1,068,016)	870,900	(95,506)	775,394
Net Assets, Beginning of Year	8,934,521	983,563	9,918,084	8,063,621	1,079,069	9,142,690
Net Assets, End of Year	<b>\$ 7,992,735</b>	<b>\$ 857,333</b>	<b>\$ 8,850,068</b>	<b>\$ 8,934,521</b>	<b>\$ 983,563</b>	<b>\$ 9,918,084</b>

See Accompanying Notes

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2022

	2022						Total
	Program Services			Management and General	Fundraising	Cost of Direct Benefit to Donors	
	Ronald McDonald House at ENC	Ronald McDonald House at VMC	Total Program Services				
Salaries	\$ 205,650	\$ 81,518	\$ 287,168	\$ 117,842	\$ 58,125	\$	\$ 463,135
Payroll Taxes	15,813	6,423	22,236	9,076	4,482	\$	35,794
Employee Benefits	15,388	6,843	22,231	8,886	4,411	\$	35,528
Total Salaries and Related Expenses	<u>236,851</u>	<u>94,784</u>	<u>331,635</u>	<u>135,804</u>	<u>67,018</u>	\$	<u>534,457</u>
Utilities	34,534		34,534	6,315	1,263		42,112
Printing and Postage	438		438	470	4,632		5,540
Advertising	8,009		8,009	119	20		8,148
Supplies	22,402	1,458	23,860	1,346	2,959	1,721	29,886
Repairs and Maintenance	105,830	7,263	113,093	17,756	4,700		135,549
Professional Development		128	128	3,339			3,467
Rent Expense, Facilities Use	89,134		89,134	16,305	3,261		108,700
Travel	828		828	3,321			4,149
Insurance	18,979		18,979	6,050	1,484		26,513
Professional Fees				48,118			48,118
Depreciation	161,178		161,178	29,484	5,897		196,559
Bank Fees				124	4,555		4,679
Computer and Internet	8,290		8,290	4,075	3,775		16,140
Fundraising					12,330	28,791	41,121
In-Kind	77,938	230,159	308,097	1,646	356		310,099
Miscellaneous		301	301	5,887	220		6,408
Total Expenses by Function	<u>764,411</u>	<u>334,093</u>	<u>1,098,504</u>	<u>280,159</u>	<u>112,470</u>	<u>30,512</u>	<u>1,521,645</u>
Less Expenses Included with Revenue: Cost of Direct Benefit to Donors						<u>(30,512)</u>	<u>(30,512)</u>
Total Expenses Included in Expense Section in Statements of Activities	<u>\$ 764,411</u>	<u>\$ 334,093</u>	<u>\$ 1,098,504</u>	<u>\$ 280,159</u>	<u>\$ 112,470</u>	<u>\$</u>	<u>\$ 1,491,133</u>

See Accompanying Notes



**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2021

	2021						
	Program Services			Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
	Ronald McDonald House at ENC	Ronald McDonald House at VMC	Total Program Services				
Salaries	\$ 207,215	\$ 64,477	\$ 271,692	\$ 115,607	\$ 56,919	\$	\$ 444,218
Payroll Taxes	14,690	4,871	19,561	8,350	4,033	\$	31,944
Employee Benefits	16,465	4,933	21,398	11,833	6,437	\$	39,668
Total Salaries and Related Expenses	<u>238,370</u>	<u>74,281</u>	<u>312,651</u>	<u>135,790</u>	<u>67,389</u>	\$	<u>515,830</u>
Utilities	28,509		28,509	5,215	1,043		34,767
Printing and Postage	279		279	304	5,507		6,090
Advertising	2,393		2,393		500		2,893
Supplies	20,471	1,392	21,863	746	3,555	1,670	27,834
Repairs and Maintenance	23,788	9,166	32,954	2,428	1,000		36,382
Professional Development		274	274	1,074			1,348
Rent Expense, Vehicle	6,056	404	6,460	807	807		8,074
Rent Expense, Facilities Use	89,134		89,134	16,305	3,261		108,700
Travel	1,239	45	1,284	310	146		1,740
Insurance	28,612		28,612	7,743	1,801		38,156
Professional Fees				35,140			35,140
Depreciation	159,956		159,956	29,260	5,852		195,068
Bank Fees				300	3,488		3,788
Computer and Internet	7,371		7,371	3,293	3,076		13,740
Fundraising					7,401	21,208	28,609
In-Kind	57,677	223,308	280,985	3,502	921		285,408
Miscellaneous		94	94	3,029	309		3,432
Total Expenses by Function	<u>663,855</u>	<u>308,964</u>	<u>972,819</u>	<u>245,246</u>	<u>106,056</u>	<u>22,878</u>	<u>1,346,999</u>
Less Expenses Included with Revenue: Cost of Direct Benefit to Donors						<u>(22,878)</u>	<u>(22,878)</u>
Total Expenses Included in Expense Section in Statements of Activities	<u>\$ 663,855</u>	<u>\$ 308,964</u>	<u>\$ 972,819</u>	<u>\$ 245,246</u>	<u>\$ 106,056</u>	<u>\$</u>	<u>\$ 1,324,121</u>

See Accompanying Notes

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (1,068,016)	\$ 775,394
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	196,559	195,068
Donated Fixed Assets		(25,702)
Realized and Unrealized (Gain) Loss on Investments	790,914	(296,728)
Changes in Assets and Liabilities that Provided (Used) Cash:		
Accounts Receivable	(11,540)	(741)
Tax Credit Refund	238,011	(238,011)
Contributions Receivable	10,000	(13,157)
Contributions Receivable, Facilities Use	89,428	85,169
Inventory	(26,863)	2,081
Prepaid Expenses and Other Current Assets	(13,289)	14,179
Accounts Payable	2,348	5,280
Accrued Payroll, Taxes and Vacation	(239)	449
Deferred Revenue		(8,455)
	207,313	494,826
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Purchases of Investments	(398,766)	(254,181)
Proceeds from Sales of Investments		16,211
Purchases of Property and Equipment	(58,370)	
	(457,136)	(237,970)
Net Cash Used by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(249,823)	256,856
Cash and Cash Equivalents, Beginning of Year	642,785	385,929
Cash and Cash Equivalents, End of Year	\$ 392,962	\$ 642,785

See Accompanying Notes

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies

Operations

The Ronald McDonald House Charities of Eastern North Carolina, Inc. (the "Organization") is a not-for-profit corporation incorporated under the laws of the State of North Carolina in 1984. The Organization changed its name from Ronald McDonald House of Eastern North Carolina at Greenville, Inc. to Ronald McDonald House Charities of Eastern North Carolina, Inc. on November 12, 2021. The Organization was formed to provide a home away from home as well as community support for seriously ill children and their families. The Organization operates a 25-bedroom house in Greenville, North Carolina for short and long-term stays ("ENC"). The Organization also provides six bedrooms at Vidant Medical Center ("VMC") in Greenville, North Carolina as well as in-hospital support through a family room located at the hospital.

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred. The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under these provisions, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The Organization has also adopted FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Under these provisions, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence or nature of donor restrictions.

Revenue Recognition

*Contributions, Grants and Bequests*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

When a 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. Bequests are recorded when the amount and rate of payment is probable.

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. 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-adjusted interest rates applicable to the years in which the promises are received. This rate does not include any consideration of collectability, for which the Organization records a separate allowance for uncollectible promises. Contributions receivable are written off when deemed uncollectible. As of December 31, 2022 and 2021, all contributions were expected to be collected within one year.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made and the uncollectible amounts are charged as a loss in the statements of activities. At December 31, 2022 and 2021, the allowance for uncollectible contributions receivable was \$0.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers cash on hand, cash in demand deposit accounts, and all short-term debt securities with a maturity of three months or less to be cash equivalents. The Organization had cash equivalents of \$193 and \$18,964 at December 31, 2022 and 2021, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the change in net assets in the accompanying statements of activities.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Donated securities are recorded at their fair values on the dates of the gifts and, except where otherwise required by the donor or Board of Directors, are immediately sold by the Organization.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from income taxes as a not-for-profit organization under Internal Revenue Service (“IRS”) code section 501(c)(3). In addition, the Organization has been approved under Internal Revenue Code for recognition as a public charity and not as a private foundation. The Organization has adopted the provisions of FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under this standard, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of December 31, 2022 and 2021.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods.

Functional Allocation of Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a square footage basis include: depreciation, insurance, maintenance and repairs, rent expense – facilities use, computers, and utilities. The expenses allocated on a basis of estimates of time and effort are salaries, payroll taxes and employee benefits. All other expenses are allocated based on specific identification.

Property and Equipment

It is the Organization’s policy to capitalize property and equipment with an original cost or donated value of \$2,500 or more and estimated useful life of more than one year and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets. Purchased property and equipment are carried at cost. Donations of equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in net assets without donor restrictions 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. In the absence of such stipulations, contributions of equipment are recorded as assets without donor restrictions.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	40 years
Landscaping	10 – 20 years
Vehicles, Furnishings and Equipment	5 – 10 years

Depreciation expense totaled \$196,559 and \$195,068 for the years ended December 31, 2022 and 2021, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Donated Services

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.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Inventory

Inventories are stated at market price and are determined on the first-in, first-out method. Inventory consists of donated pantry items and house supplies.

Advertising

The Organization expenses advertising costs when incurred. Advertising expenses totaled \$8,148 and \$2,893 for the years ended December 31, 2022 and 2021, respectively.

New Accounting Pronouncement

In September 2022, FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancement to presentation and disclosures. The amendments for this ASU require entities to (1) disaggregate contributed nonfinancial assets from contributed financial assets in the statement of activities, (2) disclose qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period and, if used, a description of the programs or other activities in which the assets were used, (3) disclose a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, and (4) disclose a description of the valuation techniques and inputs used in fair value measurement of contributed nonfinancial assets as well as the principal market used to arrive at the fair value measurements. The implementation of this standard only impacts the presentation and disclosure requirements in the financial statements and has no impact to net assets or on the accounting and recognition of nonfinancial assets.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported net assets or change in net assets.

2. Concentrations of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. These are identified as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Federal Deposit Insurance Corporation insures up to \$250,000 for all accounts held at a single institution. As of December 31, 2022, the Organization's uninsured cash balance was \$134,801.

3. Liquidity and Availability

The following represents the Organization's financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and Cash Equivalents	\$ 392,962	\$ 642,785
Investments	4,159,877	4,552,025
Accounts and Tax Credit Receivables	55,380	281,851
Contributions Receivable, Current		<u>10,000</u>
Total Financial Assets	<u>4,608,219</u>	<u>5,486,661</u>
Less amounts not available to be used in one year:		
Net Assets with Donor Restriction	561,316	598,118
Quasi Endowment Established by the Board	<u>212,376</u>	<u>291,513</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,834,527</u>	<u>\$ 4,597,030</u>

The Board's policy is to maintain six months' of expected annual expenditures in a reserve. The liquidity policy has been approved by the Board.

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

**RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

3. Liquidity and Availability (Continued)

The board-designated quasi endowment of \$212,376 and \$291,513 as of December 31, 2022 and 2021, respectively, is not subject to an annual spending rate. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

4. Contributions Receivable

At December 31, contributions receivable are expected to be received as follows:

	2022	2021
Less than One Year	\$	\$ 10,000

Contributions receivable were restricted by the donor for the following purposes:

	2022	2021
Expansion	\$	\$ 10,000

5. Contribution Receivable – Facilities Use

The Organization entered into a land and improvements lease with the County of Pitt for an annual cost of one dollar for the site upon which the Organization's Greenville house is located. The lease restricts the use of the property to operating a short-term residence facility for children and parents of children who are being treated at Vidant Medical Center or other health care facilities. The original lease began in 1984 and was renewed in 2006 for a term of 10 additional years with the option from the lessee to renew continuously. The lease was renewed in June 2016 for an additional 10 years through June 30, 2026. The Organization is responsible for all assessments against the property, and upon termination of the lease, the improvements thereon become the property of the lessor.

An internal valuation determined that the fair value of the land and improvements at the date of lease renewal was \$2,174,000. The annual rental value was estimated at \$108,700 per year. In connection with this lease agreement, the Organization discounted the value of the lease using a discount rate of 5.0%, and recorded a restricted contribution in 2016 in the amount of \$789,547.

The value remaining on the use of facilities as of December 31, 2022 and 2021 is \$296,017 and \$385,445, respectively, and has been recorded as contribution receivable – facilities use on the statements of financial position. Rent expense recorded in connection with this lease agreement was \$108,700 for the years ended December 31, 2022 and 2021.



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5. Contribution Receivable – Facilities Use (Continued)

At December 31, contributions receivable – facilities use are expected to be received as follows:

	2022	2021
Less than One Year	\$ 93,899	\$ 89,428
One to Five Years	202,118	296,017
	\$ 296,017	\$ 385,445

6. Investments

Investments are summarized below:

	Cost	Fair Value
<u>December 31, 2022</u>		
CDs	\$ 359,024	\$ 359,024
Mutual Funds	3,723,496	3,800,853
Total	\$ 4,082,520	\$ 4,159,877
<u>December 31, 2021</u>		
CDs	\$ 358,814	\$ 358,814
Mutual Funds	3,324,942	4,193,211
Total	\$ 3,683,756	\$ 4,552,025

Investment earnings for the years ended December 31 are as follows:

	2022	2021
Interest and Dividends	\$ 129,994	\$ 254,520
Unrealized Gain/(Loss)	(790,914)	296,728
Total	\$ (660,920)	\$ 551,248

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7. Property and Equipment

Property and equipment consist of the following at December 31:

	2022	2021
Building and Improvements	\$ 4,887,113	\$ 4,868,700
Furnishings and Equipment	1,692,477	1,671,570
Landscaping	411,002	391,952
Vehicles	65,583	65,583
 Total Property and Equipment	 7,056,175	 6,997,805
Less: Accumulated Depreciation	(3,166,275)	(2,969,716)
 Property and Equipment, Net	 \$ 3,889,900	 \$ 4,028,089

8. Cash and Investments Held in Endowments

The Organization's endowment consists of one fund established for the ongoing operations of the Organization. The endowment balances include board-designated and donor-restricted endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

North Carolina G.S. 116, Chapter 36E, Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law March 2009 and is applied to the Organization's endowment funds existing at December 31, 2022. The Board of Trustees of the Organization has interpreted the UPMIFA 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 the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment and (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 net assets with donor restrictions is classified as net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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 purpose 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, and (7) the Organization's investment policies.

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8. Cash and Investments Held in Endowments (Continued)

Interpretation of Relevant Law (Continued)

The ultimate responsibility for managing the cash and investments of the Organization rests with the Board of Directors, which may delegate responsibility to the Investment Committee of the Board of Directors.

*Investment Return Objectives*

As part of its current growth objective, the Organization's investment portfolio should be invested for asset growth with investment income being of secondary importance. The investment objective is to earn an average real (inflation adjusted) long-term annual rate of return in excess of 5.8% measured over the policy planning horizon. The policy planning horizon is the period of time allocated for the execution of the policy and the achievement of investment objectives. Changes in liquidity needs or funding trends will signal changes in the portfolio objectives and a corresponding change in the planning horizon. This return objective is based upon the historical return experience of stocks and bonds over 25-year periods of time. Investment results will be measured on a time weighted average total rate of return basis which takes into consideration the timing of cash flow and includes both income and changes in market value. The endowment fund is considered to have a long-term planning horizon as the Organization is expected to continue operations into the foreseeable future. Consequently, the Board has the basis to adopt a long-term planning horizon of at least 25 years.

*Spending Policy*

The policy allows for maximum spending of 5% of a moving average of the last eight fiscal quarters of the unrestricted fund market value. If the calculated 5% spending limit exceeds the current year's investment income and earnings, a portion of the investment portfolio can be liquidated to make up the difference if needed.

*Investment Strategy*

The portfolio asset allocation will be diversified to achieve a long-term target asset mix of 75% equity and 25% fixed income and non-equity investments, in order to provide a high long-term return potential with an acceptable level of related volatility risk. A range of +/- 5% has been identified by the Board as an acceptable degree of variation in the portfolio's equity and non-equity mix. Additionally, the Board has determined that no one stock will comprise more than 10% of the equity allocation.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce reasonable income while preserving capital.

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8. Cash and Investments Held in Endowments (Continued)

Endowment net asset composition by fund type is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2022</u>			
Board-Designated Funds	\$ 212,376	\$	\$ 212,376
Donor-Restricted Funds	<u>                    </u>	<u>500,000</u>	<u>500,000</u>
Total Funds	<u>\$ 212,376</u>	<u>\$ 500,000</u>	<u>\$ 712,376</u>
<u>December 31, 2021</u>			
Board-Designated Funds	\$ 291,513	\$	\$ 291,513
Donor-Restricted Funds	<u>                    </u>	<u>500,000</u>	<u>500,000</u>
Total Funds	<u>\$ 291,513</u>	<u>\$ 500,000</u>	<u>\$ 791,513</u>

Changes in endowments were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2022</u>			
Endowment Net Assets, Beginning of Year	\$ 291,513	\$ 500,000	\$ 791,513
Investment Loss	<u>(79,137)</u>	<u>                    </u>	<u>(79,137)</u>
Endowment Net Assets, End of Year	<u>\$ 212,376</u>	<u>\$ 500,000</u>	<u>\$ 712,376</u>
<u>December 31, 2021</u>			
Endowment Net Assets, Beginning of Year	\$ 173,764	\$ 500,000	\$ 673,764
Investment Gain	<u>117,749</u>	<u>                    </u>	<u>117,749</u>
Endowment Net Assets, End of Year	<u>\$ 291,513</u>	<u>\$ 500,000</u>	<u>\$ 791,513</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported as negative net assets without donor restrictions in the schedules above. There were no deficiencies at December 31, 2022 and 2021.

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9. Fair Value Measurements

The FASB established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value of investments. 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.
- Level 3    Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. All investments of the Organization have been classified as Level 1.

*Changes in Fair Value Levels* – The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Change in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. There have been no changes in levels or valuation techniques for these assets and liabilities for the years ended December 31, 2022 and 2021.

10. Line of Credit

The Organization had an unsecured \$750,000 line of credit with a bank. Interest at Prime minus 0.50% (2.75% at December 31, 2021) with a floor of 3.75% was due monthly and all outstanding balances were due April 12, 2022. Outstanding balance at December 31, 2021 was \$0. The line of credit was closed on June 29, 2022.

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**11. Restrictions on Net Assets**

Net assets with donor restrictions are restricted for the following purposes and periods:

	2022	2021
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Land Lease	\$ 296,017	\$ 385,445
Support for Future Periods		10,000
Executive Support Transition	13,956	18,503
Family Programs	5,829	20,249
Gazebo	4,080	23,130
Other	37,451	26,236
Subject to endowment spending policy and appropriation:		
House Operations	500,000	500,000
	\$ 857,333	\$ 983,563

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2022	2021
Expiration of Time Restrictions	\$ 10,000	\$ 28,476
Satisfaction of Purpose Restrictions:		
Land Lease	108,700	108,700
Executive Support Transition	4,547	1,497
Family Programs	14,420	28,834
Gazebo	19,050	
Other	36,265	11,071
Total Satisfaction of Purpose Restrictions	182,982	150,102
Total	\$ 192,982	\$ 178,578

**12. Retirement Plan**

The Organization sponsors a Simple IRA retirement plan for eligible employees. The Organization contributes a matching contribution of up to 3% of the employee's salary. Total employer contributions for the years ended December 31, 2022 and 2021 was \$9,213 and \$8,817, respectively.

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13. Related Party Transactions

The Organization received contributions from board members in 2022 and 2021 totaling \$76,693 and \$30,237, respectively. As of December 31, 2022 and 2021, total outstanding pledges due from board members was \$0.

14. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Property and Equipment:		
Vehicles	\$	\$ 25,700
Furniture and Fixtures	22,213	
Inventory of Household Supplies	52,898	26,035
Expenses:		
Meals and Supplies	24,873	22,861
Facilities Use	19,272	24,536
Hospital House Lease	205,562	205,562
Household Services	18,549	23,717
Fundraising Services	741	
Other	13,097	4,139
	<u>\$ 357,205</u>	<u>\$ 332,550</u>

The Organization recognized contributed nonfinancial assets within revenue, including meals and supplies, family support services, transportation services, household supplies, and miscellaneous services.

In valuing property and equipment, the Organization estimated fair value at the date of donation. In valuing meals and supplies, family support services, transportation services, household supplies, and miscellaneous services, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed rent is for the land and facilities which are used for program and general and administrative activities. In valuing the contributed land and facilities, which is located in Greenville, North Carolina, the Organization estimated the fair value on the basis of recent comparable sales prices in Greenville, North Carolina's real estate market.

Contributed food, household goods, and clothing were utilized in the following programs: Ronald McDonald House at ENC and Ronald McDonald House at VMC. In valuing these items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. All donated assets were utilized by the Organization's programs and supporting services.

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15. Operating Lease

The Organization leased a vehicle under a non-cancelable operating lease that expired in November 2021 at which time it was donated to the Organization. Monthly payments were made in the amount of \$807. Rent expense related to this lease totaled \$0 and \$8,074 for the years ended December 31, 2022 and 2021, respectively

16. Paycheck Protection Program and Employee Retention Tax Credit

In February 2021, the Organization received a second round of Paycheck Protection Program (“PPP”) loan proceeds in the amount of \$104,667 to fund payroll, rent, and utilities. In August 2021, the PPP loan proceeds were forgiven by the U.S. Small Business Administration (“SBA”). The Organization recognized these proceeds as grant revenue on the statements of activities for the year ended December 31, 2021.

Under the provisions of the CARES Act, the Organization was eligible for a refundable employee retention credit (“ERC”) subject to certain criteria. The Organization expected to receive tax credits under the ERC provisions for qualified wages through December 31, 2021. During the year ended December 31, 2021, the Organization recorded \$238,011 as revenue. At December 31, 2021 total receivables related to the ERC was \$238,011. This amount was received in August 2022.

17. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 27, 2023, which is the date the financial statements were available to be issued.