

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

Financial Statements

December 31, 2021 and 2020

CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
NOTES TO FINANCIAL STATEMENTS	8 - 21



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, 2021 and 2020, 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, 2021 and 2020, 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 & Packer, P.A.

Durham, North Carolina
July 11, 2022

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 642,785	\$ 385,929
Accounts Receivable	2,644	1,903
Tax Credit Refund	238,011	
Contributions Receivable, Current Portion	51,196	37,870
Contribution Receivable, Facilities Use - Current	89,428	85,169
Inventory	26,035	28,116
Investments	4,552,025	4,017,327
Prepaid Expenses and Other Current Assets	15,429	29,608
Total Current Assets	5,617,553	4,585,922
Long-Term Contributions Receivable, Net		169
Long-Term Contribution Receivable, Facilities Use, Net	296,017	385,445
Property and Equipment, Net	4,028,089	4,197,455
Total Assets	\$ 9,941,659	\$ 9,168,991
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 12,017	\$ 6,737
Accrued Payroll Taxes and Vacation	11,558	11,109
Deferred Revenue		8,455
Total Liabilities	23,575	26,301
Net Assets:		
Without Donor Restrictions		
Undesignated	4,114,919	3,292,402
Designated by Board for Operating Expense Reserve	500,000	400,000
Designated by Board for Quasi-Endowment	291,513	173,764
Invested in Property and Equipment	4,028,089	4,197,455
With Donor Restrictions	983,563	1,079,069
Total Net Assets	9,918,084	9,142,690
Total Liabilities and Net Assets	\$ 9,941,659	\$ 9,168,991

See Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 762,547	\$ 59,541	\$ 822,088	\$ 632,949	\$ 85,732	\$ 718,681
Donated Materials and Services	309,019	23,531	332,550	278,289	27,586	305,875
Special Events Income, Net of Fees of \$22,878 in 2021 and \$19,701 in 2020	39,552		39,552	58,812		58,812
Grant Revenue	104,667		104,667	88,501		88,501
Other Income	11,399		11,399	10,443		10,443
Employer Retention Tax Credit	238,011		238,011			
Interest Income				4,552		4,552
Investment Earnings	551,248		551,248	452,835		452,835
 Total Support and Revenue	 2,016,443	 83,072	 2,099,515	 1,526,381	 113,318	 1,639,699
Net Assets Released from Restrictions	178,578	(178,578)		211,769	(211,769)	
 Total Support, Revenue and Net Assets Released from Restrictions	 2,195,021	 (95,506)	 2,099,515	 1,738,150	 (98,451)	 1,639,699
Expenses:						
Program Expenses:						
Ronald McDonald House of ENC	666,008		666,008	714,588		714,588
Ronald McDonald House at VMC	309,030		309,030	295,599		295,599
Management and General	244,388		244,388	234,364		234,364
Fundraising	104,695		104,695	93,140		93,140
 Total Expenses	 1,324,121	 	 1,324,121	 1,337,691	 	 1,337,691
Change in Net Assets	870,900	(95,506)	775,394	400,459	(98,451)	302,008
Net Assets, Beginning of Year	8,063,621	1,079,069	9,142,690	7,663,162	1,177,520	8,840,682
Net Assets, End of Year	\$ 8,934,521	\$ 983,563	\$ 9,918,084	\$ 8,063,621	\$ 1,079,069	\$ 9,142,690

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	30,014		30,014	5,215	1,043		36,272
Printing and Postage	344	8	352	257	9		618
Advertising	896		896				896
Supplies	20,471	10,509	30,980	746	258	1,670	33,654
Repairs and Maintenance	23,685	48	23,733	1,405	562		25,700
Professional Development		274	274	968			1,242
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		1,239	310			1,549
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				260	3,488		3,748
Computer and Internet	7,371		7,371	3,293	3,076		13,740
Fundraising Expansion	500		500	503	15,919	21,208	38,130
In-Kind	57,677	223,353	281,030	3,502	921		285,453
Miscellaneous	1,683	153	1,836	2,884	309		5,029
Total Expenses by Function	<u>666,008</u>	<u>309,030</u>	<u>975,038</u>	<u>244,388</u>	<u>104,695</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>\$ 666,008</u>	<u>\$ 309,030</u>	<u>\$ 975,038</u>	<u>\$ 244,388</u>	<u>\$ 104,695</u>	<u>\$</u>	<u>\$ 1,324,121</u>

See Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	2020						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	\$ 234,665	\$ 62,080	\$ 296,745	\$ 117,094	\$ 50,481	\$	\$ 464,320
Payroll Taxes	17,947	4,225	22,172	11,190	5,129		38,491
Employee Benefits	16,661	4,596	21,257	8,649	3,733		33,639
Total Salaries and Related Expenses	<u>269,273</u>	<u>70,901</u>	<u>340,174</u>	<u>136,933</u>	<u>59,343</u>		<u>536,450</u>
Utilities	26,251		26,251	4,802	960		32,013
Printing and Postage	356		356	308	5,877		6,541
Advertising		1,305	1,305				1,305
Supplies	44,061	2,277	46,338	1,038	1,148	2,221	50,745
Repairs and Maintenance	42,858	1,159	44,017	2,495	991		47,503
Professional Development				1,218	2,563		3,781
Rent Expense, Vehicle	7,267	484	7,751	969	969		9,689
Rent Expense, Facilities Use	89,134		89,134	16,305	3,261		108,700
Travel	571		571	2,208	143		2,922
Insurance	22,138		22,138	6,687	1,424		30,249
Professional Fees				20,755			20,755
Depreciation	161,149		161,149	29,479	5,896		196,524
Bank Fees				250	2,826		3,076
Computer and Internet	4,994		4,994	2,734	2,624		10,352
Fundraising Expansion					4,681	17,480	22,161
In-Kind	46,536	219,354	265,890	6,793	329		273,012
Miscellaneous		119	119	1,390			1,509
Total Expenses by Function	<u>714,588</u>	<u>295,599</u>	<u>1,010,187</u>	<u>234,364</u>	<u>93,140</u>	<u>19,701</u>	<u>1,357,392</u>
Less Expenses Included with Revenue: Cost of Direct Benefit to Donors						<u>(19,701)</u>	<u>(19,701)</u>
Total Expenses Included in Expense Section in Statements of Activities	<u>\$ 714,588</u>	<u>\$ 295,599</u>	<u>\$ 1,010,187</u>	<u>\$ 234,364</u>	<u>\$ 93,140</u>	<u>\$</u>	<u>\$ 1,337,691</u>

See Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 775,394	\$ 302,008
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	195,068	196,524
Donated Investments		(2,304)
Donated Fixed Assets	(25,702)	
Unrealized Gain on Investments	(296,728)	(345,781)
Changes in Assets and Liabilities that Provided (Used) Cash:		
Accounts Receivable	(741)	4,262
Tax Credit Refund	(238,011)	
Contributions Receivable	(13,157)	28,347
Contributions Receivable, Facilities Use	85,169	81,114
Inventory	2,081	(4,746)
Prepaid Expenses and Other Current Assets	14,179	(5,599)
Accounts Payable	5,280	(39,306)
Accrued Payroll, Taxes and Vacation	449	245
Deferred Revenue	(8,455)	8,455
Net Cash Provided by Operating Activities	<u>494,826</u>	<u>223,219</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(254,181)	(112,697)
Proceeds from Sales of Investments	16,211	
Purchases of Property and Equipment		<u>(10,500)</u>
Net Cash Used by Investing Activities	<u>(237,970)</u>	<u>(123,197)</u>
Net Increase in Cash and Cash Equivalents	256,856	100,022
Cash and Cash Equivalents, Beginning of Year	<u>385,929</u>	<u>285,907</u>
Cash and Cash Equivalents, End of Year	<u>\$ 642,785</u>	<u>\$ 385,929</u>

See Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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. The Organization also provides six bedrooms at Vidant Medical Center 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 Accounting Standards Codification ("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.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. Summary of Significant Accounting Policies (Continued)

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.

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. The discount is calculated using a risk-adjusted rate of 3.25%. 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.

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, 2021 and 2020, 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 \$18,964 and \$1,410 at December 31, 2021 and 2020, 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, 2021 and 2020

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, 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 \$195,068 and \$196,524 for the years ended December 31, 2021 and 2020, respectively.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 \$896 and \$1,305 for the years ended December 31, 2021 and 2020, respectively.

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, 2021, the Organization's uninsured cash balance was \$361,807.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

3. Liquidity and Availability

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

	2021	2020
Financial assets at year-end:		
Cash and Cash Equivalents	\$ 642,785	\$ 385,929
Investments	4,552,025	4,017,327
Accounts and Tax Credit Receivables	240,655	1,903
Contributions Receivable, Current	51,196	37,870
Total Financial Assets	5,486,661	4,443,029
Less amounts not available to be used in one year:		
Net Assets with Donor Restriction	598,118	608,454
Quasi Endowment Established by the Board	291,513	173,764
Financial assets available to meet general expenditures over the next twelve months	\$ 4,597,030	\$ 3,660,811

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.

The board-designated quasi endowment of \$291,513 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.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

4. Contributions Receivable

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

	2021	2020
Less than One Year	\$ 51,196	\$ 37,870
One to Five Years		10,000
	51,196	47,870
Less: Unamortized Discount		(9,831)
Net Contributions Receivable	\$ 51,196	\$ 38,039

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

	2021	2020
Expansion	\$ 10,000	\$ 35,000
Other (Unrestricted)	41,196	12,870
	\$ 51,196	\$ 47,870

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, 2021 and 2020 is \$385,445 and \$470,614, 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, 2021 and 2020.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

5. Contribution Receivable – Facilities Use (Continued)

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

	<u>2021</u>	<u>2020</u>
Less than One Year	\$ 89,428	\$ 85,169
One to Five Years	<u>296,017</u>	<u>385,445</u>
	<u>\$ 385,445</u>	<u>\$ 470,614</u>

6. Investments

Investments are summarized below.

	<u>Cost</u>	<u>Fair Value</u>
<u>December 31, 2021</u>		
CDs	\$ 358,814	\$ 358,814
Mutual Funds	<u>3,324,942</u>	<u>4,193,211</u>
Total	<u>\$ 3,683,756</u>	<u>\$ 4,552,025</u>
<u>December 31, 2020</u>		
CDs	\$ 357,945	\$ 357,945
Mutual Funds	3,071,629	3,645,657
Common Stock	<u>7,113</u>	<u>13,725</u>
Total	<u>\$ 3,436,687</u>	<u>\$ 4,017,327</u>

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

	<u>2021</u>	<u>2020</u>
Interest and Dividends	\$ 254,520	\$ 107,054
Unrealized Gain	<u>296,728</u>	<u>345,781</u>
Total	<u>\$ 551,248</u>	<u>\$ 452,835</u>

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

7. Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Building and Improvements	\$ 4,868,700	\$ 4,868,700
Furnishings and Equipment	1,671,570	1,671,570
Landscaping	391,952	391,952
Vehicles	65,583	39,883
 Total Property and Equipment	 6,997,805	 6,972,105
Less: Accumulated Depreciation	(2,969,716)	(2,774,650)
 Property and Equipment, Net	 \$ 4,028,089	 \$ 4,197,455

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, 2021. 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 permanently restricted net assets: (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 permanently restricted net assets is classified as temporarily restricted 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.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 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.

Strategies Employed for Achieving Objectives

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.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 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>
<u>December 31, 2020</u>			
Board-Designated Funds	\$ 173,764	\$	\$ 173,764
Donor-Restricted Funds	<u> </u>	<u>500,000</u>	<u>500,000</u>
Total Funds	<u>\$ 173,764</u>	<u>\$ 500,000</u>	<u>\$ 673,764</u>

Changes in endowments were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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>
<u>December 31, 2020</u>			
Endowment Net Assets, Beginning of Year	\$ 116,442	\$ 500,000	\$ 616,442
Investment Gain	<u>57,322</u>	<u> </u>	<u>57,322</u>
Endowment Net Assets, End of Year	<u>\$ 173,764</u>	<u>\$ 500,000</u>	<u>\$ 673,764</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, 2021 and 2020.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020.

10. Line of Credit

The Organization has 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% is due monthly and all outstanding balances are due April 12, 2022. Outstanding balances at December 31, 2021 and 2020 were \$0.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

11. Restrictions on Net Assets

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

	2021	2020
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Land Lease	\$ 385,445	\$ 470,614
Support for Future Periods	10,000	38,039
Executive Support Transition	18,503	
Family Programs	20,249	49,083
Gazebo	23,130	3,130
Other	26,236	18,203
Subject to endowment spending policy and appropriation:		
House Operations	500,000	500,000
	\$ 983,563	\$ 1,079,069

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:

	2021	2020
Expiration of Time Restrictions	\$ 28,476	\$ 32,386
Satisfaction of Purpose Restrictions:		
Land Lease	108,700	108,700
Family Programs	28,834	50,431
Executive Support Transition	1,497	
Other	11,071	20,252
Total Satisfaction of Purpose Restrictions	150,102	179,383
Total	\$ 178,578	\$ 211,769

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, 2021 and 2020 was \$8,817 and \$8,380, respectively.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

13. Related Party Transactions

The Organization received pledges and contributions from board members in 2021 and 2020 totaling \$30,237 and \$39,592, respectively. As of December 31, 2021 and 2020, total outstanding pledges due from board members was \$0 and \$390, respectively.

14. Donated Services

Donated materials are reflected in the accompanying statements at values estimated by the donor at date of receipt. Donated materials for the years ended December 31, 2021 and 2020 was \$332,550 and \$305,875, respectively.

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recorded in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied.

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 \$8,074 and \$9,689 for the years ended December 31, 2021 and 2020, respectively

16. Paycheck Protection Program and Employee Retention Tax Credit

In April 2020, the Organization received loan proceeds in the amount of \$88,501 to fund payroll, rent, and utilities through the Paycheck Protection Program (the "PPP"). In March 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, 2020.

In February 2021, the Organization received a second round of PPP loan proceeds in the amount of \$104,667. In August 2021, the PPP loan proceeds were forgiven by the 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 expects 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.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

17. Uncertainties

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen which may have a negative impact on the Organization's financial results in the future. The extent of the impact of COVID-19 on the operational and financial performance of the Organization will depend on certain developments, including duration and continued spread, which are uncertain at this time. The extent to which COVID-19 may impact the Organization's financial condition or results in the future is uncertain.

18. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 11, 2022, which is the date the financial statements were available to be issued.