

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

Financial Statements

Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 & Puckett, P.A.

Raleigh, North Carolina
August 19, 2026

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 442,931	\$ 328,424
Contributions Receivable	76,053	55,380
Contribution Receivable, Facilities Use, Current	9,625	98,594
Third Party Reimbursement Receivable		55,798
Inventory	15,108	19,991
Investments	6,388,635	5,373,737
Prepaid Expenses and Other Current Assets	<u>11,718</u>	<u>17,933</u>
Total Current Assets	6,944,070	5,949,857
Long-Term Contribution Receivable, Facilities Use, Net		9,625
Property and Equipment, Net	<u>3,373,893</u>	<u>3,560,097</u>
Total Assets	<u>\$ 10,317,963</u>	<u>\$ 9,519,579</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 30,043	\$ 29,462
Accrued Payroll, Taxes and Vacation	<u>17,726</u>	<u>15,404</u>
Total Liabilities	<u>47,769</u>	<u>44,866</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	356,440	371,576
Designated by Board for Operating Expense Reserve	5,304,605	4,458,529
Designated by Board for Quasi-Endowment	584,224	415,403
Invested in Property and Equipment	3,373,893	3,560,097
With Donor Restrictions	<u>651,032</u>	<u>669,108</u>
Total Net Assets	<u>10,270,194</u>	<u>9,474,713</u>
Total Liabilities and Net Assets	<u>\$ 10,317,963</u>	<u>\$ 9,519,579</u>

See Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2025 and 2024

	2025		2024	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Support and Revenue:		Total		Total
Contributions	\$ 848,514	\$ 124,340	\$ 819,460	\$ 24,055
Contributions of Nonfinancial Assets	341,209	10,106	358,859	14,801
Special Events Income, Net of Fees of \$29,909 in 2025 and \$19,638 in 2024	38,831	38,831	38,626	38,626
Third Party Reimbursement	199,991	199,991	214,507	214,507
Interest Income	615	615	4,437	4,437
Other Income	14,361	14,361	20,155	20,155
Investment Earnings	1,014,898	1,014,898	731,423	731,423
Total Support and Revenue	2,458,419	134,446	2,187,467	38,856
Net Assets Released from Restrictions	152,522	(152,522)	141,107	(141,107)
Total Support, Revenue and Net Assets Released from Restrictions	2,610,941	(18,076)	2,328,574	(102,251)
Expenses:				
Program Expenses:				
Ronald McDonald House at ENC	1,036,818	1,036,818	1,126,100	1,126,100
Ronald McDonald House at ECU Health	341,511	341,511	364,936	364,936
Management and General	286,665	286,665	261,967	261,967
Fundraising	132,390	132,390	139,465	139,465
Total Expenses	1,797,384	1,797,384	1,892,468	1,892,468
Change in Net Assets	813,557	(18,076)	436,106	(102,251)
Net Assets, Beginning of Year	8,805,605	669,108	8,369,499	771,359
Net Assets, End of Year	\$ 9,619,162	\$ 651,032	\$ 8,805,605	\$ 669,108

See Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2025

	Program Services					Fundraising	Management and General	Cost of Direct Benefit to Donors	Total
	Ronald McDonald House at ENC	Ronald McDonald House at ECU Health	Total Program Services						
Salaries	\$ 306,578	\$ 76,202	\$ 382,780	\$	\$ 172,255	\$ 75,132	\$	\$	\$ 630,167
Payroll Taxes	23,493	5,889	29,382		13,215	5,757			48,354
Employee Benefits	12,598	7,031	19,629		8,229	3,087			30,945
Total Salaries and Related Expenses	<u>342,669</u>	<u>89,122</u>	<u>431,791</u>		<u>193,699</u>	<u>83,976</u>			<u>709,466</u>
Utilities	55,309		55,309		2,694	1,426			59,429
Printing and Postage	2,199	1,194	3,393		409	403			4,205
Advertising	1,012	607	1,619		203	202			2,024
Supplies	17,313	5,207	22,520		3,959	637			27,116
Repairs and Maintenance	178,253	1,948	180,201		3,795	2,219			186,215
Professional Development					7,260				7,260
Rent Expense, Facilities Use	101,091		101,091		5,000	2,609			108,700
Travel					11,283	398			11,681
Insurance	51,622		51,622		2,553	1,332			55,507
Professional Fees					37,697				37,697
Depreciation	173,170		173,170		8,565	4,469			186,204
Bank Fees					41	8,182			8,223
Computer and Internet	20,503	12,302	32,805		4,100	4,101			41,006
Fundraising						4,492		29,909	34,401
In-Kind	93,677	231,131	324,808		708	17,944			343,460
Miscellaneous					4,699				4,699
Total Expenses by Function	<u>1,036,818</u>	<u>341,511</u>	<u>1,378,329</u>		<u>286,665</u>	<u>132,390</u>		<u>29,909</u>	<u>1,827,293</u>
Less Expenses Included with Revenue:									
Cost of Direct Benefit to Donors								<u>(29,909)</u>	<u>(29,909)</u>
Total Expenses Included in Expense Section in Statements of Activities	<u>\$ 1,036,818</u>	<u>\$ 341,511</u>	<u>\$ 1,378,329</u>		<u>\$ 286,665</u>	<u>\$ 132,390</u>		<u>\$</u>	<u>\$ 1,797,384</u>

See Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2024

	Program Services					Fundraising	Management and General	Cost of Direct Benefit to Donors	Total
	Ronald McDonald House at ENC	Ronald McDonald House at ECU Health	Total Program Services						
Salaries	\$ 235,038	\$ 89,205	\$ 324,243	\$ 81,566	\$ 142,760	\$	\$ 548,569		\$
Payroll Taxes	18,301	7,014	25,315	6,351	11,128		42,794		
Employee Benefits	11,763	8,960	20,723	4,082	7,889		32,694		
Total Salaries and Related Expenses	265,102	105,179	370,281	91,999	161,777		624,057		
Utilities	48,845		48,845	1,207	2,382		52,434		
Printing and Postage	1,335	664	1,999	230	233		2,462		
Advertising	1,342	806	2,148	270	264		2,682		
Supplies	19,723	2,234	21,957	648	3,827		26,432		
Repairs and Maintenance	312,987	867	313,854	9,743	16,478		340,075		
Professional Development					2,132		2,132		
Rent Expense, Facilities Use	101,258		101,258	2,500	4,942		108,700		
Travel	948		948	1,380	2,211		4,539		
Insurance	54,146		54,146	1,542	5,901		61,589		
Professional Fees					47,201		47,201		
Depreciation	177,441		177,441	4,381	8,659		190,481		
Bank Fees				7,423	41		7,464		
Computer and Internet	26,850	16,109	42,959	5,370	5,370		53,699		
Fundraising	1,377		1,377	12,481		19,638	33,496		
In-Kind	114,746	239,077	353,823	291	549		354,663		
Total Expenses by Function	1,126,100	364,936	1,491,036	139,465	261,967	19,638	1,912,106		
Less Expenses Included with Revenue:						(19,638)	(19,638)		
Cost of Direct Benefit to Donors									
Total Expenses Included in Expense Section in Statements of Activities	\$ 1,126,100	\$ 364,936	\$ 1,491,036	\$ 139,465	\$ 261,967	\$	\$ 1,892,468		\$

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 795,481	\$ 333,855
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation	186,204	190,481
Unrealized Gain on Investments	(537,916)	(370,151)
Changes in Assets and Liabilities that Provided (Used) Cash:		
Contributions Receivable	(20,673)	
Contributions Receivable, Facilities Use	98,594	93,899
Third Party Reimbursement Receivable	55,798	(55,798)
Inventory	4,883	(2,996)
Prepaid Expenses and Other Current Assets	6,215	9,790
Accounts Payable	581	(39,740)
Accrued Payroll, Taxes and Vacation	<u>2,322</u>	<u>(5,237)</u>
Net Cash Provided by Operating Activities	<u>591,489</u>	<u>154,103</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(476,982)	(361,273)
Proceeds from Sales of Investments		178,354
Purchases of Property and Equipment		<u>(45,994)</u>
Net Cash Used by Investing Activities	<u>(476,982)</u>	<u>(228,913)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	114,507	(74,810)
Cash and Cash Equivalents, Beginning of Year	<u>328,424</u>	<u>403,234</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 442,931</u></u>	<u><u>\$ 328,424</u></u>

See Accompanying Notes

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2025 and 2024

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 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 ECU Health Medical Center ("ECU Health") in Greenville, North Carolina as well as in-hospital support through a family room located at the hospital.

Basis of Accounting, Presentation, and Use of Estimates

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Management uses estimates and assumptions in preparing the 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 could differ from those estimates.

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.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2025 and 2024

1. Summary of Significant Accounting Policies (Continued)

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.

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, 2025 and 2024, all contributions were expected to be collected within one year.

The Organization uses the allowance method to determine uncollectable contributions. 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, 2025 and 2024, the allowance for uncollectible contributions receivable was \$0.

Cash and Cash Equivalents

For purposes of the statements of financial position and 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 \$183,600 and \$182,986 at December 31, 2025 and 2024, 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
Years Ended December 31, 2025 and 2024

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, 2025 and 2024.

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 is 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 \$186,204 and \$190,481 for the years ended December 31, 2025 and 2024, respectively.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2025 and 2024

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.

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 \$2,024 and \$2,682 for the years ended December 31, 2025 and 2024, 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, 2025, the Organization's uninsured cash balance was \$19,214.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2025 and 2024

3. Liquidity and Availability

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

	<u>2025</u>	<u>2024</u>
Financial assets at year-end:		
Cash and Cash Equivalents	\$ 442,931	\$ 328,424
Investments	6,388,635	5,373,737
Contributions Receivable	76,053	55,380
Third Party Reimbursement Receivable	<u> </u>	<u>55,798</u>
Total Financial Assets	<u>6,907,619</u>	<u>5,813,339</u>
Less amounts not available to be used in one year:		
Net Assets with Donor Restriction	635,567	560,889
Operating Expense Reserve Established by the Board	5,304,605	4,458,529
Quasi-Endowment Established by the Board	<u>584,224</u>	<u>415,403</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 383,223</u>	<u>\$ 378,518</u>

The Board's policy is to maintain a reserve consisting of all investment balances not allocated to endowments 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 and the operating reserve are not subject to an annual spending rate. Although the Organization does not intend to spend from this board-designated funds (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. 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 ECU Health 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. As noted in footnote 13, subsequent to year end, the lease was renewed for an additional 10 years through June 30, 2036. 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.

RONALD MCDONALD HOUSE CHARITIES OF EASTERN NORTH CAROLINA, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2025 and 2024

4. Contributions Receivable – Facilities Use (Continued)

An internal valuation determined that the fair value of the land and improvements at the date of lease renewal at December 31, 2016 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, 2025 and 2024 is \$9,625 and \$108,219, 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, 2025 and 2024.

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

	<u>2025</u>	<u>2024</u>
Less than One Year	\$ 9,625	\$ 98,594
One to Five Years		<u>9,625</u>
	<u>\$ 9,625</u>	<u>\$ 108,219</u>

5. Investments

Investments are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
<u>December 31, 2025</u>		
CDs	\$ 203,023	\$ 203,023
Mutual Funds	<u>4,736,568</u>	<u>6,185,612</u>
Total	<u>\$ 4,939,591</u>	<u>\$ 6,388,635</u>
<u>December 31, 2024</u>		
CDs	\$ 194,594	\$ 194,594
Mutual Funds	<u>4,268,703</u>	<u>5,179,143</u>
Total	<u>\$ 4,463,297</u>	<u>\$ 5,373,737</u>

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

	<u>2025</u>	<u>2024</u>
Interest and Dividends	\$ 476,982	\$ 361,272
Unrealized Gain	<u>537,916</u>	<u>370,151</u>
Total	<u>\$ 1,014,898</u>	<u>\$ 731,423</u>

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6. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Building and Improvements	\$ 4,940,407	\$ 4,940,407
Furnishings and Equipment	1,692,477	1,692,477
Landscaping	411,002	411,002
Vehicles	<u>65,583</u>	<u>65,583</u>
Total Property and Equipment	7,109,469	7,109,469
Less: Accumulated Depreciation	<u>(3,735,576)</u>	<u>(3,549,372)</u>
Property and Equipment, Net	<u>\$ 3,373,893</u>	<u>\$ 3,560,097</u>

7. 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, 2025. 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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7. 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

The investment objective of the Organization shall be to preserve principal and obtain a reasonable real rate of return through interest income and dividend income. Appropriate investment vehicles are short-term bonds, money market funds, interest bearing savings/checking accounts, certificates of deposits, and commercial paper. The overall character of the portfolio shall be one of high quality.

The Organization shall not directly invest in other alternative asset classes such as real estate (either in the form of Commingled Real Estate Funds or Real Estate Investment Trusts), convertible securities, private equity, venture capital, or hedge funds until assets grow to a sufficient level at which it might be appropriate to consider additional sources of diversification. Investments in such asset classes are permissible to the extent that they are included, at a nominal allocation level, in a broadly diversified mutual fund used to invest in one of the acceptable asset classes.

Investment Strategy

The total portfolio will at all times be comprised of investments with complementary investment styles and include at least large cap equity investments, mid/small cap equity investments, and international/global equity investments. The large cap domestic equity component should maintain a “core” or “blend” investment style, which may be achieved through the use of at least one core equity fund, or through the selection of at least one core fund with a “growth” bias and one core fund with a “value” bias. Investments will be diversified at all times.

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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7. 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, 2025</u>			
Board-Designated Funds	\$ 584,224	\$	\$ 584,224
Donor-Restricted Funds	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Total Funds	<u>\$ 584,224</u>	<u>\$ 500,000</u>	<u>\$ 1,084,224</u>
<u>December 31, 2024</u>			
Board-Designated Funds	\$ 415,403	\$	\$ 415,403
Donor-Restricted Funds	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Total Funds	<u>\$ 415,403</u>	<u>\$ 500,000</u>	<u>\$ 915,403</u>

Changes in endowments were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2025</u>			
Endowment Net Assets, Beginning of Year	\$ 415,403	\$ 500,000	\$ 915,403
Investment Gain	<u>168,821</u>	<u>500,000</u>	<u>168,821</u>
Endowment Net Assets, End of Year	<u>\$ 584,224</u>	<u>\$ 500,000</u>	<u>\$ 1,084,224</u>
<u>December 31, 2024</u>			
Endowment Net Assets, Beginning of Year	\$ 301,764	\$ 500,000	\$ 801,764
Investment Gain	<u>113,639</u>	<u>500,000</u>	<u>113,639</u>
Endowment Net Assets, End of Year	<u>\$ 415,403</u>	<u>\$ 500,000</u>	<u>\$ 915,403</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, 2025 and 2024.

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8. 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: <ul style="list-style-type: none">• 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, 2025 and 2024.

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9. Restrictions on Net Assets

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

	<u>2025</u>	<u>2024</u>
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Land Lease	\$ 9,625	\$ 108,219
Gazebo	2,573	3,670
Family Programs	50,645	
Meals and Pantry Supplies	23,169	21,016
Character Breakfast	3,805	32,078
Playground	25,000	
Strategic Planning	21,250	
Other	<u>9,125</u>	<u>4,125</u>
Subject to endowment spending policy and appropriation:		
House Operations	<u>500,000</u>	<u>500,000</u>
	<u>\$ 645,192</u>	<u>\$ 669,108</u>

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:

	<u>2025</u>	<u>2024</u>
Satisfaction of Purpose Restrictions:		
Land Lease	\$ 108,700	\$ 108,700
Executive Support Transition		34
Family Programs	5,355	14,544
Gazebo	1,097	
Meals and Pantry Supplies	2,847	13,114
Character Breakfast	28,273	4,715
Strategic Planning	3,750	
Other	<u>2,500</u>	<u> </u>
Total Satisfaction of Purpose Restrictions	<u>\$ 152,522</u>	<u>\$ 141,107</u>

10. 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, 2025 and 2024 was \$7,358 and \$6,608, respectively.

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11. Related Party Transactions

The Organization received contributions from board members in 2025 and 2024 totaling \$28,114 and \$31,032, respectively. As of December 31, 2025 and 2024, total outstanding pledges due from board members was \$0.

12. Contributed Nonfinancial Assets

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

	<u>2025</u>	<u>2024</u>
Property and Equipment:		
Furniture and Fixtures	\$ 28,993	\$ 27,566
Inventory of Household Supplies	14,998	24,266
Expenses:		
Meals and Supplies	54,854	74,657
Facilities Use	10,106	14,801
Hospital House Lease	205,562	205,562
Household Services	10,879	17,675
Other	<u>25,923</u>	<u>9,133</u>
	<u>\$ 351,315</u>	<u>\$ 373,660</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 facilities use 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 ECU Health. 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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13. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 19, 2026, which is the date the financial statements were available to be issued.

In June 2026, the Organization renewed its lease agreement with the County of Pitt, extending the lease term through June 30, 2036.