

**RONALD MCDONALD HOUSE CHARITIES OF  
CHARLESTON, SC, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1-2</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>5-6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8-26</b>

## **Independent Auditor's Report**

To the Board of Directors  
Ronald McDonald House Charities of Charleston, SC, Inc.  
Charleston, South Carolina

We have audited the accompanying financial statements of Ronald McDonald House Charities of Charleston, SC, Inc. and its subsidiary (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Charleston, SC, Inc. and its subsidiary as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Elliott Davis, LLC*

Charleston, South Carolina  
June 25, 2020

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,059,378	\$ 740,623
Accounts Receivable, Net	57,663	49,969
Contributions Receivable, Net	310,029	20,000
Prepaid Expenses	36,907	30,518
Total Current Assets	1,463,977	841,110
<b>NONCURRENT ASSETS</b>		
Contributions Receivable, Net	725,420	19,293
Investments	1,734,089	1,537,280
Property and Equipment, Net	2,192,184	2,392,469
Beneficial Use of Land	2,307,879	2,320,669
Total Noncurrent Assets	6,959,572	6,269,711
Total Assets	\$ 8,423,549	\$ 7,110,821
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 144,231	\$ 70,173
Total Current Liabilities	144,231	70,173
Total Liabilities	144,231	70,173
<b>NET ASSETS</b>		
Without Donor Restrictions	3,332,164	3,678,705
With Donor Restrictions	4,947,154	3,361,943
Total Net Assets	8,279,318	7,040,648
Total Liabilities and Net Assets	\$ 8,423,549	\$ 7,110,821

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions	\$ 836,850	\$ 1,429,276	\$ 2,266,126	\$ 720,102	\$ 13,826	\$ 733,928
In-Kind Contributions	386,072	-	386,072	342,788	-	342,788
Special Events Revenue, Net	319,761	-	319,761	334,045	-	334,045
Room Donations/Fees	14,930	-	14,930	14,820	-	14,820
Third-Party Reimbursements	165,235	-	165,235	163,590	-	163,590
Other Income	38,622	-	38,622	228,478	-	228,478
Net Assets Released from Restrictions	25,465	(25,465)	-	27,294	(27,294)	-
Total Revenues and Other Support	<u>1,786,935</u>	<u>1,403,811</u>	<u>3,190,746</u>	<u>1,831,117</u>	<u>(13,468)</u>	<u>1,817,649</u>
<b>EXPENSES</b>						
Program Services	1,486,521	-	1,486,521	1,367,225	-	1,367,225
Management and General Administration	154,757	-	154,757	234,989	-	234,989
Fundraising	508,086	-	508,086	205,870	-	205,870
Total Expenses	<u>2,149,364</u>	<u>-</u>	<u>2,149,364</u>	<u>1,808,084</u>	<u>-</u>	<u>1,808,084</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(362,429)	1,403,811	1,041,382	23,033	(13,468)	9,565
<b>INVESTMENT INCOME (LOSS), NET</b>	<u>15,888</u>	<u>181,400</u>	<u>197,288</u>	<u>(1,117)</u>	<u>(35,610)</u>	<u>(36,727)</u>
<b>CHANGE IN NET ASSETS</b>	(346,541)	1,585,211	1,238,670	21,916	(49,078)	(27,162)
Net Assets - Beginning of Year	<u>3,678,705</u>	<u>3,361,943</u>	<u>7,040,648</u>	<u>3,656,789</u>	<u>3,411,021</u>	<u>7,067,810</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,332,164</u>	<u>\$ 4,947,154</u>	<u>\$ 8,279,318</u>	<u>\$ 3,678,705</u>	<u>\$ 3,361,943</u>	<u>\$ 7,040,648</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services						
	Ronald McDonald House	Ronald McDonald Family Room	Other Program Services	Total			
Salaries	\$ 554,796	\$ 11,493	\$ 11,210	\$ 577,499	\$ 60,856	\$ 193,489	\$ 831,844
Employee Benefits	37,269	-	-	37,269	9,899	8,311	55,479
Payroll Taxes	36,931	2,414	2,354	41,699	4,443	13,965	60,107
Total Salaries and Related Expenses	<u>628,996</u>	<u>13,907</u>	<u>13,564</u>	<u>656,467</u>	<u>75,198</u>	<u>215,765</u>	<u>947,430</u>
Advertising	-	-	-	-	-	5,000	5,000
Automobile	-	-	-	-	-	-	-
Cleaning Services and Supplies	6,267	-	-	6,267	-	-	6,267
Depreciation and Amortization	227,817	-	-	227,817	-	-	227,817
Direct Mail	1,475	-	-	1,475	-	55,019	56,494
Donor Recognition	89	-	-	89	-	695	784
Family Support Services and Supplies	19,285	12,000	2,000	33,285	210	265	33,760
Insurance	37,464	-	-	37,464	-	-	37,464
Linens and Laundry	1,969	-	-	1,969	-	-	1,969
Maintenance and Repairs	14,064	-	-	14,064	-	880	14,944
Meetings, Education and Training	2,604	-	-	2,604	2,541	-	5,145
Office Supplies	1,366	-	-	1,366	4,266	530	6,162
Postage and Courier	830	-	-	830	4,136	1,276	6,242
Printing and Publishing	608	-	-	608	979	10,854	12,441
Professional Fees	24	-	-	24	23,333	-	23,357
Rent	12,790	-	-	12,790	-	-	12,790
Technology	35,365	-	-	35,365	13,091	5,431	53,887
Telephone	1,674	-	-	1,674	551	-	2,225
Travel, Meals, and Entertainment	12,203	-	-	12,203	1,673	1,875	15,751
Utilities	42,392	-	-	42,392	7,422	-	49,814
Volunteer Resources and Recognition	320	-	-	320	6	-	326
Other	397,435	13	-	397,448	21,351	210,496	629,295
Total Expenses	<u>\$ 1,445,037</u>	<u>\$ 25,920</u>	<u>\$ 15,564</u>	<u>\$ 1,486,521</u>	<u>\$ 154,757</u>	<u>\$ 508,086</u>	<u>\$ 2,149,364</u>

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services				Management and General		Fundraising	Total
	Ronald McDonald House	Ronald McDonald Family Room	Other Program Services	Total				
Salaries	\$ 451,298	\$ 11,493	\$ 12,714	\$ 475,505	\$ 103,054	\$ 94,066	\$ 672,625	
Employee Benefits	36,615	-	-	36,615	8,051	14,653	59,319	
Payroll Taxes	31,674	2,414	2,670	36,758	7,594	6,932	51,284	
Total Salaries and Related Expenses	519,587	13,907	15,384	548,878	118,699	115,651	783,228	
Advertising	-	-	-	-	-	5,000	5,000	
Automobile	-	-	-	-	-	-	-	
Cleaning Services and Supplies	5,444	-	-	5,444	-	-	5,444	
Depreciation and Amortization	233,127	-	-	233,127	4,248	-	237,375	
Donor Recognition	329	-	-	329	-	-	329	
Family Support Services and Supplies	16,010	12,000	2,268	30,278	-	-	30,278	
Insurance	36,114	-	-	36,114	2,818	-	38,932	
Interest	-	-	-	-	8,357	-	8,357	
Linens and Laundry	2,000	-	-	2,000	-	-	2,000	
Maintenance and Repairs	27,011	-	-	27,011	1,048	-	28,059	
Meetings, Education and Training	70	-	-	70	1,111	-	1,181	
Office Supplies	3,159	-	-	3,159	3,003	114	6,276	
Postage and Courier	4,362	-	-	4,362	917	538	5,817	
Printing and Publishing	5,171	-	-	5,171	1,730	886	7,787	
Professional Fees	102	-	-	102	24,287	-	24,389	
Rent	12,327	-	-	12,327	-	-	12,327	
Technology	32,852	-	-	32,852	9,078	4,394	46,324	
Travel, Meals, and Entertainment	2,207	-	-	2,207	110	211	2,528	
Utilities	51,794	-	-	51,794	6,522	-	58,316	
Volunteer Resources and Recognition	1,637	-	-	1,637	-	-	1,637	
Other	369,067	1,296	-	370,363	53,061	79,076	502,500	
<b>Total Expenses</b>	<b>\$ 1,322,370</b>	<b>\$ 27,203</b>	<b>\$ 17,652</b>	<b>\$ 1,367,225</b>	<b>\$ 234,989</b>	<b>\$ 205,870</b>	<b>\$ 1,808,084</b>	

See accompanying Notes to Financial Statements.



**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,238,670	\$ (27,162)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	227,817	237,375
Net Realized and Unrealized (Gains) Losses on Investments	(134,691)	82,140
Gain on Sale of Property and Equipment	-	(172,735)
Bad Debts	35,757	20,315
Change in Discount to Net Present Value	(57,251)	(87,663)
Stock Contributions Received	(154,930)	(27,094)
Amortization of Beneficial Use of Land	99,990	99,990
(Increase) Decrease in Assets:		
Accounts Receivable	(21,694)	98,932
Contributions Receivable	(1,047,862)	41,400
Prepaid Expenses	(6,389)	4,587
Other Assets	-	5,000
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	74,058	(51,037)
Net Cash Provided by Operating Activities	253,475	224,048
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(51,200)	(517,778)
Proceeds from Sale of Investments	144,012	-
Purchases of Property and Equipment	(27,532)	(83,726)
Proceeds from Sale of Property and Equipment	-	641,833
Net Cash Provided by Investing Activities	65,280	40,329
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Notes Payable	-	(335,841)
Net Cash Used by Financing Activities	-	(335,841)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	318,755	(71,464)
Cash and Cash Equivalents - Beginning of Year	740,623	812,087
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,059,378	\$ 740,623
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ -	\$ 8,357
Income Taxes Paid	\$ -	\$ 34,700
Stock Contributions Received	\$ 154,930	\$ 27,094

See accompanying Notes to Financial Statements.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities of Charleston, SC, Inc. (“RMHCC”, or the “Organization”) is a South Carolina nonprofit charitable corporation formed in 1981 (formerly Pediatric Family Center of Charleston, Inc.). The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHCC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency. The mission of RMHCC is to create compassionate environments and programs that provide families the best chance of success in caring for their child with complex medical needs.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House Charities:

**Ronald McDonald House**

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Charleston, SC, which provides temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers’ ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

**Ronald McDonald Family Room**

The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child’s health care team. Given the building of the Medical University of South Carolina (“MUSC”) Shawn Jenkins Children’s Hospital, the agreement which expired in November 2017 for the Family Room was not renewed, but RMHCC continued to operate under the condition of the contract until the transition to the new medical facility on February 22, 2020.

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measure of Operations**

The Organization's change in net assets from operations on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments

**Principles of Consolidation**

GC Investments of Charleston, LLC ("GC Investments") was a single member limited liability company and a wholly owned subsidiary of the Organization formed in 2014. On September 15, 2014, GC Investments purchased a single family residence at 71 Gadsden Street for \$498,000. This residence was leased as of August 1, 2015 as part of the master facility plan for RMHCC. On July 13, 2018, the Organization sold the single family residence for \$650,000. During 2018, all material inter-organization transactions were eliminated in consolidation. GC Investments had no activity in 2019.

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Organization has recorded an allowance for uncollectible receivables of \$12,250 as of December 31, 2019. No allowance was recorded as of December 31, 2018.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

If the Organization becomes the beneficiary under wills and trust agreements of which the total realizable amount is not presently determinable, such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

**Investments**

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

The Organization maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	5 - 30 Years
Renovation and Expansion	15 - 30 Years
Office Furniture and Equipment	5 - 7 Years
Software	5 Years

**Impairment of Long-Lived Assets**

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Assets, Property and Equipment, and Services**

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in 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. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

**Net Assets**

The Organization's net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for the board designated endowment.

**With Donor Restrictions**

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Revenue Recognition**

**Contributions and Grants**

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue, if applicable. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

**Special Event Revenue – Ticket Sales**

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

**Third-party Reimbursements**

Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

**Functional 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 majority of the Organization's expenses are applied based on direct costs to programs and/or fundraising, with remaining costs being charged to management/general. Payroll taxes and employee benefits are allocated on the basis of management's estimates of time and effort. In 2019, the Organization initiated a capital campaign to expand the house to accommodate more families. Campaign related fundraising expenses totaled \$330,948 in 2019. There was no capital campaign in 2018.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

GC Investments is a disregarded entity and therefore is reported with RMHCC for tax purposes. The Organization paid \$34,700 in taxes in relation to the sale of the GC Investments property in 2018.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Reclassifications**

Certain amounts have been reclassified for the year ended December 31, 2018 to conform to the presentation for the year ended December 31, 2019. The reclassifications had no impact on previously reported net assets.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 LIQUIDITY**

The Organization has \$1,857,543 and \$1,282,592 of financial assets, as of December 31, 2019 and 2018, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the assets section of the statement and adjusted as follows:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:	\$ 8,423,549	\$ 7,110,821
Less amounts not available to be used within one year due to liquidity:		
Unconditional promise to give, net- due after one year	(725,420)	(19,293)
Beneficial Lease of Land	(2,307,879)	(2,320,669)
Prepaid expenses	(36,907)	(30,518)
Investment at Coastal Community Foundation of SC	(29,030)	(25,668)
Property and equipment, net	<u>(2,192,184)</u>	<u>(2,392,469)</u>
	(5,291,420)	(4,778,617)
Less amounts not available to be used within one year due to:		
Donor imposed restrictions:		
Board designated endowment	(70,018)	(54,994)
Future expendable donor-restricted endowment, net of spendable amounts	(588,073)	(368,123)
Portion of donor-restricted endowment to be retained in perpetuity	<u>(616,495)</u>	<u>(616,495)</u>
	<u>(1,274,586)</u>	<u>(1,039,612)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,857,543</u>	<u>\$ 1,282,592</u>

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments.

In addition, although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its endowment could be made available if necessary. The endowment has a spending rate of no more than 5% to cover any shortfall in operating funds. Appropriations from the endowment that are available within the next 12 months totaled \$29,403 and \$38,990, as of December 31, 2019 and 2018, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist primarily of pledges and bequests as of the years ended December 31:

	2019	2018
Amounts due in:		
Less than One Year	\$ 310,029	\$ 20,000
One to Five Years	777,833	20,000
Total	1,087,862	40,000
Unamortized Discount	(30,656)	(707)
Allowance for Uncollectibles	(21,757)	-
Net Contributions Receivable	\$ 1,035,449	\$ 39,293

The discount rate used for the years ended December 31, 2019 and 2018 was 2.7% and 1.8%, respectively.

**NOTE 4 FAIR VALUE MEASUREMENTS**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.



**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

The fair values of assets and liabilities measured on a recurring basis as of December 31, 2019 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<b>Assets</b>					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 612,144	\$ -	\$ -	\$ -	\$ 612,144
Bonds	304,371	-	-	-	304,371
Domestic Common Stock	274,737	-	-	-	274,737
Certificates of Deposit	513,807	-	-	-	513,807
Investment in Coastal Community Foundation	-	29,030	-	-	29,030
<b>Total Assets</b>	<b>\$1,705,059</b>	<b>\$ 29,030</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,734,089</b>

The fair values of assets and liabilities measured on a recurring basis as of December 31, 2018 are as follows:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<b>Assets</b>					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 479,326	\$ -	\$ -	\$ -	\$ 479,326
Bonds	290,214	-	-	-	290,214
Domestic Common Stock	241,079	-	-	-	241,079
Certificates of Deposit	500,993	-	-	-	500,993
Investment at Coastal Community Foundation	-	25,668	-	-	25,668
<b>Total Assets</b>	<b>\$ 1,511,612</b>	<b>\$ 25,668</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,537,280</b>

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Investments**

Overall Investment Objective

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Directors which oversees the Organization's investment program in accordance with established guidelines.

Allocation of Investment Strategies

RMHCC targets a diversified asset allocation that places an emphasis on traditional stocks and fixed income securities to achieve its long-term return objectives within prudent risk constraints.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest and Dividend Income, Net	\$ 62,597	\$ 45,413
Realized and Unrealized Gains (Losses), Net	<u>134,691</u>	<u>(82,140)</u>
Investment Income (Loss), Net	<u>\$ 197,288</u>	<u>\$ (36,727)</u>

**NOTE 5 INVESTMENTS**

Investments are stated at fair value and consist of the following at December 31:

	<u>2019</u>		<u>2018</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Common Stock - McDonald's Corp	\$ 274,737	\$ 50,295	\$ 241,079	\$ 43,836
Certificates of deposit	513,807	500,000	500,993	500,000
Mutual Funds - equities	612,144	536,880	479,326	443,703
Mutual Funds - bonds	<u>304,371</u>	<u>301,184</u>	<u>290,214</u>	<u>294,387</u>
Total investments	<u>\$ 1,705,059</u>	<u>\$ 1,388,359</u>	<u>\$ 1,511,612</u>	<u>\$ 1,281,926</u>

The following table shows the gross unrealized losses and fair value of RMHCC's investments, with unrealized losses that are deemed to be temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31:

	<u>2019</u>			
	<u>12 Months or Longer</u>		<u>12 Months or Less</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Mutual funds - equities	<u>\$ 121,678</u>	<u>\$ (3,277)</u>	<u>\$ -</u>	<u>\$ -</u>

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 INVESTMENTS (CONTINUED)**

	2018			
	12 Months or Longer		12 Months or Less	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds - equities	\$ 176,921	\$ (41,173)	\$ 40,156	\$ (6,471)
Mutual funds – bonds	\$ 290,214	\$ (4,173)	\$ -	\$ -

RMHCC has the ability and the intent to hold these mutual funds until such time as the value recovers. RMHCC believes, based on industry analyst reports and credit ratings, that the deterioration in value is attributable to changes in market rates and is not in the credit quality of the issuer and, therefore, these losses are not considered other-than-temporary.

**NOTE 6 INVESTMENT IN COASTAL COMMUNITY FOUNDATION**

In June 2009, an endowment fund was established with the Coastal Community Foundation (the “CCF”) of South Carolina by RMHCC. RMHCC retains variance power over the fund and four percent of the fund’s earnings may be distributed to the Organization on an annual basis. The contributions into the fund are invested in the CCF’s pooled account, which consists of equity funds, fixed income funds, growth funds and other investments. The Coastal Community Foundation investment account had a fair market value of \$29,030 and \$25,668 as of December 31, 2019 and 2018, respectively.

In addition, an endowment fund was established with CCF of South Carolina by the Gilbreth Family. RMHCC retains no variance power over this fund, and therefore the account is not included in the financial statements of RMHCC, but RMHCC receives a percentage of earnings. Amounts received totaled \$9,514 and \$9,512 for the years ended December 31, 2019 and 2018, respectively. The balance of this fund as of December 31, 2019 and 2018 was \$248,993 and \$220,432, respectively.

**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	2019	2018
Buildings and Improvements	\$ 650,227	\$ 643,226
Renovation and Expansion Costs	4,082,861	4,082,861
Equipment	304,551	288,491
Furniture and Fixtures	234,632	233,760
Software	26,298	22,699
Total, at Cost	5,298,569	5,271,037
Accumulated Depreciation	(3,106,385)	(2,878,568)
Total Property and Equipment	\$ 2,192,184	\$ 2,392,469

Depreciation for the years ended December 31, 2019 and 2018 was \$227,817 and \$237,375, respectively.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 8 BENEFICIAL USE OF LAND**

The land upon which the House sits has been leased from MUSC since 1982 under a twenty-year lease, which expired April 2002. The lease agreement included a provision for four successive five-year extension periods. The House was exercising the first option period when the lease was re-negotiated and a new lease was made September 1, 2004.

The new lease was expanded to include parking on an adjacent lot. The initial term of the new lease was ten years and included a provision to extend the lease for another ten years. In September 2014, the lease was renewed through August 31, 2024. The annual rent was five dollars.

In October 2017, the lease was amended to extend the lease renewal term by an additional 57 years to end on August 2074 and increased the rent from \$5 to \$10 dollars. An independent assessment determined that the annual rental value was estimated to be approximately \$100,000 per year. In connection with this lease agreement, the Organization discounted the value of the 57-year term of the lease using a discount rate of 3.7% (one year LIBOR as of August 31, 2017 plus 2%), and recorded a restricted contribution in 2017 in the amount of \$2,366,349. The value remaining on the use of land as of December 31, 2019 and 2018 is \$2,307,879 and \$2,320,669, respectively, and has been recorded as such on the statements of financial position. For each of the years ended December 31, 2019 and 2018, rent expense of \$100,000 was recorded in connection with this lease agreement, offset by the change in the discount to present value of \$87,200 and \$87,663, respectively.

**NOTE 9 NOTES PAYABLE**

GC Investments entered into a loan agreement in October 2014 for the purchase of a residence to be used as part of the RMHCC master plan. The loan had an interest rate of 4.99%, with monthly principal and interest payments of \$3,163 starting October 15, 2014 until maturity at September 24, 2024. The balance was paid in full during 2018, when the residence was sold (see Note 1). Interest expense totaled \$8,357 for the year ended December 31, 2018.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 10 ENDOWMENT FUNDS**

The Organization's endowment consists of three individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the standard of prudence prescribed by 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 various funds
- (2) The purposes of the donor-restricted endowment funds
- (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
- (7) The Organization's investment policies

*Investment Return Objectives, Risk Parameters and Strategies.* RMHCC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that RMHCC must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of broad market measures of return on investments.

To satisfy its long-term rate-of-return objectives, RMHCC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHCC targets a diversified asset allocation that places an emphasis on equity-based investments and mutual funds to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy.* RMHCC has a policy of appropriating for distributions as needed to cover any shortfall in operating funds. In applying this policy, RMHCC considers the long-term expected return on its endowment. Accordingly, over the long term, RMHCC expects the current spending policy to allow its endowment to grow annually. This is consistent with RMHCC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 54,994	\$ 1,023,608	\$ 1,078,602
Investment return, net	3,666	181,400	185,066
Contributions	11,358	-	11,358
Appropriation of endowment assets for expenditure	-	(440)	(440)
Other Changes:			
Transfers to remove board-designated endowment funds	-	-	-
Transfers to create board-designated endowment funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 70,018</u>	<u>\$ 1,204,568</u>	<u>\$ 1,274,586</u>
Board-designated endowment funds	\$ 70,018	\$ -	\$ 70,018
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	616,495	616,495
Portion subject to appropriation under UPMIFA	-	588,073	588,073
	<u>-</u>	<u>588,073</u>	<u>588,073</u>
Total funds	<u>\$ 70,018</u>	<u>\$ 1,204,568</u>	<u>\$ 1,274,586</u>

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets and net assets by type of fund were as follows for the fiscal year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 28,655	\$ 1,061,250	\$ 1,089,905
Investment return, net	(755)	(35,610)	(36,365)
Contributions	27,094	-	27,094
Appropriation of endowment assets for expenditure	-	(2,032)	(2,032)
Other Changes:			
Transfers to remove board-designated endowment funds	-	-	-
Transfers to create board-designated endowment funds	-	-	-
Endowment net assets, end of year	<u>\$ 54,994</u>	<u>\$ 1,023,608</u>	<u>\$ 1,078,602</u>
Board-designated endowment funds	\$ 54,994	\$ -	\$ 54,994
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	616,495	616,495
Portion subject to appropriation under UPMIFA	-	407,113	407,113
Total funds	<u>\$ 54,994</u>	<u>\$ 1,023,608</u>	<u>\$ 1,078,602</u>

*Fund Deficiencies.* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

The endowment balances are included in the following accounts at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 54,305	\$ 42,947
Investments	1,192,251	1,009,987
Investment in the Coastal Community Foundation of SC	29,030	25,668
Total	<u>\$ 1,274,586</u>	<u>\$ 1,078,602</u>

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	2019	2018
<b>Subject to expenditure for specific purpose:</b>		
Program Activities:		
Ronald McDonald House	\$ 33,105	\$ 14,209
Ronald McDonald Family Room	7,299	3,457
Beneficial Use of Land	2,307,879	2,320,669
	2,348,183	2,338,335
<b>Subject to passage of time and capital campaign:</b>		
For periods after December 31	1,394,303	-
<b>Subject to the Organization's spending policy and appropriation:</b>		
Ronald McDonald House Operations:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	616,495	616,495
Accumulated Gain (Losses)	588,073	407,113
Total – Ronald McDonald House Operations	1,204,568	1,023,608
<b>Not subject to appropriation or expenditure:</b>		
Total net assets with donor restrictions	\$ 4,947,154	\$ 3,361,943

Net assets with donor restrictions in perpetuity at December 31, 2019 and 2018 include \$531,495 of the Joan Kroc endowment corpus, \$10,000 related to the Organization's Share-a-Night program invested in perpetuity and \$75,000 of the Tarrant endowment corpus. The income from the Joan Kroc and Tarrant endowments is expendable to support any operating activities of the Organization; the income from the Share-a-Night is expendable to support only House expenses.



**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 12 NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

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 donors as follows for the year ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Ronald McDonald House	\$ 12,192	\$ 11,609
Ronald McDonald Family Room	43	1,296
Beneficial Use of Land	<u>12,790</u>	<u>12,357</u>
	25,025	25,262
Time restrictions expired:		
Passage of specified time	-	-
Release of appropriated endowment returns without purpose restrictions	<u>440</u>	<u>2,032</u>
Total restrictions released	<u>\$ 25,465</u>	<u>\$ 27,294</u>

**NOTE 13 NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Organization's governing Board of Directors has designated net assets without donor restrictions for the following purposes as of December 31:

	<u>2019</u>	<u>2018</u>
Board-Designated Endowment	\$ 70,018	\$ 54,994

**NOTE 14 REVENUE RECOGNITION**

The following table shows the Organization's revenue subject to performance obligations disaggregated according to the timing of the transfer of goods or services:

	<u>2019</u>	<u>2018</u>
Revenue Recognized at a Point in Time		
Special Events Revenue, Net	\$ 319,761	\$ 334,045
Room Donations/Fees	14,930	14,820
Third-Party Reimbursements	165,235	163,590
Other Income	<u>38,622</u>	<u>228,478</u>
Total Revenue Recognized at a Point in Time	<u>\$ 538,548</u>	<u>\$ 740,933</u>

The Organization's contract assets and liabilities consist of:

	<u>2019</u>	<u>2018</u>
Accounts Receivable		
Accounts receivable, net	\$ 57,663	\$ 49,969

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 15 DONATED GOODS AND SERVICES**

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Other program services	\$ 386,072	\$ 342,788

The contributed amounts included various services for fundraising and for House operations, including donated meals.

**NOTE 16 SPECIAL EVENTS**

RMHCC held a golf tournament and the Bag Lady luncheon each year during 2019 and 2018, and a plane pull in 2018. Revenues and expenses from these special events are as follows:

	2019		2018	
	Revenues	Expenses	Revenues	Expenses
Golf Tournament	\$ 285,099	\$ 100,485	\$ 232,075	\$ 62,977
Bag Lady Luncheon	163,823	28,676	139,975	25,955
Plane Pull	-	-	57,935	7,008

**NOTE 17 TAX-DEFERRED ANNUITY PLAN**

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time and part-time employees of the Organization. The Organization contributes 4% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Employer contributions to the plan were \$11,762 and \$10,985 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 18 TRANSACTIONS WITH RELATED ENTITIES**

Ronald McDonald House Charities ("RMHC") is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 18 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

Ronald McDonald House Charities, Inc. ("RMHC Global"), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2019 and 2018, the Organization received \$29,882 and \$45,611, respectively, from these revenue streams.

The Board of Directors also contributes to RMHCC. The value of their cash contributions for the year ended December 31, 2019 and 2018 was \$288,209 and \$159,223, respectively. Unconditional promises to give due from board members at December 31, 2019 was \$762,612. No similar amounts were due at December 31, 2018.

**NOTE 19 CONCENTRATIONS**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and promises to give. Cash and cash equivalents are in high-quality financial institutions. Though the market value of investments is subject to fluctuations from year-to-year, management believes the investment policy is prudent for the long-term welfare of the Organization.

The Organization relies on support and revenue from contributions that are mostly from donors in the Charleston, South Carolina geographic area.

**NOTE 20 SUBSEQUENT EVENTS**

Management evaluated subsequent events through June 25, 2020, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Organization's and its donors' costs, demand for the Organization's services, and the U.S. economy. These conditions could adversely affect the Organization's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Organization's operations or other businesses of the Organization's donors and suppliers, which could significantly disrupt the Organization's operations. The extent of the adverse impact of the COVID-19 outbreak on the Organization cannot be predicted at this time.

**RONALD MCDONALD HOUSE CHARITIES OF CHARLESTON, SC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 21 CHANGE IN ACCOUNTING PRINCIPLES**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (“Topic 606”)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization’s financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization’s reported historical revenue.

**NOTE 22 RECENT ACCOUNTING PRONOUNCEMENTS**

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization’s leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization’s financial statements.

**Contributions**

Additionally in June 2018, FASB issued ASU 2018-08, Accounting Guidance for Contributions Received and Made. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This guidance is effective for the year ending December 31, 2020. Management is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.