

**RONALD MCDONALD HOUSE CHARITIES OF THE
PIEDMONT TRIAD, INC.
WINSTON-SALEM, NORTH CAROLINA**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	5 - 6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 24



cannon&company
Certified Public Accountants L.L.P.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House Charities of the Piedmont Triad, Inc.
Winston-Salem, North Carolina

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of the Piedmont Triad, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 the Piedmont Triad, Inc. as of December 31, 2020 and 2019, 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 the Piedmont Triad, 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 the Piedmont Triad, 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements, including omissions, 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 the Piedmont Triad, 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 the Piedmont Triad, 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.

Cannon & Company, P.C.

Winston-Salem, North Carolina

May 19, 2021

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 923,360	\$ 693,861
Accounts Receivable, Net	34,281	15,016
Contributions Receivable, Net	70,119	31,734
Short-Term Investments	-	200,000
Prepaid Expenses	142,269	236,952
Total Current Assets	<u>1,170,029</u>	<u>1,177,563</u>
NONCURRENT ASSETS		
Investments	6,116,147	5,245,437
Property and Equipment, Net	4,825,810	4,261,519
Beneficial Interest in Assets Held by Others	3,547,754	3,364,348
Total Noncurrent Assets	<u>14,489,711</u>	<u>12,871,304</u>
Total Assets	<u><u>\$ 15,659,740</u></u>	<u><u>\$ 14,048,867</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 117,821	\$ 85,180
Capital Lease Obligation	5,413	5,279
Total Current Liabilities	<u>123,234</u>	<u>90,459</u>
NONCURRENT LIABILITIES		
Capital Lease Obligation	17,602	448
Total Noncurrent Liabilities	<u>17,602</u>	<u>448</u>
Total Liabilities	<u>140,836</u>	<u>90,907</u>
NET ASSETS		
Without Donor Restrictions	14,368,198	12,847,835
With Donor Restrictions	1,150,706	1,110,125
Total Net Assets	<u>15,518,904</u>	<u>13,957,960</u>
Total Liabilities and Net Assets	<u><u>\$ 15,659,740</u></u>	<u><u>\$ 14,048,867</u></u>

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 1,816,707	\$ 50,000	\$ 1,866,707	\$ 1,003,387	\$ 35,000	\$ 1,038,387
Special Events Revenue	377,315	-	377,315	435,278	-	435,278
Grant Revenue	40,000	-	40,000	-	100,000	100,000
Membership Dues	25,376	-	25,376	19,995	-	19,995
RMH Room Donation/Fees	10,068	-	10,068	12,138	-	12,138
Gain (Loss) on Disposal of Property	2,434	-	2,434	(2,892)	-	(2,892)
Net Assets Released from Restrictions	74,801	(74,801)	-	110,295	(110,295)	-
Total Revenues and Other Support	<u>2,346,701</u>	<u>(24,801)</u>	<u>2,321,900</u>	<u>1,578,201</u>	<u>24,705</u>	<u>1,602,906</u>
EXPENSES						
Program Services	1,192,999	-	1,192,999	1,248,974	-	1,248,974
Cost of Direct Benefits to Donors	77,294	-	77,294	78,922	-	78,922
Management and General Administration	119,499	-	119,499	123,304	-	123,304
Fundraising	282,757	-	282,757	278,857	-	278,857
Total Expenses	<u>1,672,549</u>	<u>-</u>	<u>1,672,549</u>	<u>1,730,057</u>	<u>-</u>	<u>1,730,057</u>
CHANGE IN NET ASSETS FROM OPERATIONS	674,152	(24,801)	649,351	(151,856)	24,705	(127,151)
INVESTMENT INCOME, NET	<u>846,211</u>	<u>65,382</u>	<u>911,593</u>	<u>1,092,526</u>	<u>86,825</u>	<u>1,179,351</u>
CHANGE IN NET ASSETS	1,520,363	40,581	1,560,944	940,670	111,530	1,052,200
Net Assets - Beginning of Year	<u>12,847,835</u>	<u>1,110,125</u>	<u>13,957,960</u>	<u>11,907,165</u>	<u>998,595</u>	<u>12,905,760</u>
NET ASSETS - END OF YEAR	<u>\$ 14,368,198</u>	<u>\$ 1,150,706</u>	<u>\$ 15,518,904</u>	<u>\$ 12,847,835</u>	<u>\$ 1,110,125</u>	<u>\$ 13,957,960</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services			
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Hospitality Cart	Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries	\$ 366,308	\$ 92,779	\$ 2,836	\$ 461,923	\$ 73,736	\$ 115,734	\$ -	\$ 651,393
Employee Health and Retirement Benefits	57,006	14,439	441	71,886	11,475	18,011	-	101,372
Payroll Taxes	26,247	6,648	203	33,098	5,283	8,293	-	46,674
Total Salaries and Related Expenses	449,561	113,866	3,480	566,907	90,494	142,038	-	799,439
Automobile Expenses	9,889	-	-	9,889	-	-	-	9,889
Cleaning Service and Supplies	7,134	-	-	7,134	-	-	-	7,134
Credit Card and Stock Sales Fees on Donations	-	-	-	-	-	11,847	-	11,847
Depreciation	195,349	10,732	3,599	209,680	708	1,887	-	212,275
Direct Mail	-	-	-	-	-	96,352	-	96,352
House/Program Supplies	127,432	5,368	3,277	136,077	-	-	54,627	190,704
Insurance	21,297	96	72	21,465	5,498	283	479	27,725
Interest expense	-	-	-	-	854	-	-	854
Linens and Laundry	13,353	-	-	13,353	-	-	-	13,353
Maintenance and Repair	46,388	163	122	46,673	179	479	-	47,331
Meetings, Training, and Seminars	7,322	1,503	46	8,871	3,408	3,816	-	16,095
Office Supplies	2,240	145	4	2,389	298	3,670	-	6,357
Postage	2,226	475	15	2,716	37	5,043	217	8,013
Printing and Publishing	18,867	3,372	142	22,381	31	9,716	5,172	37,300
Professional Fees	14,293	2,787	85	17,165	2,119	3,321	-	22,605
Rent	-	-	-	-	-	-	550	550
Security Services	47,323	-	-	47,323	-	-	-	47,323
Taxes, Licenses and Fees	-	-	-	-	13,384	-	-	13,384
Technology	24,016	1,295	40	25,351	889	1,334	-	27,574
Telephone	12,318	1,416	43	13,777	680	1,207	-	15,664
Travel, Meals, and Entertainment	588	265	8	861	211	474	16,249	17,795
Utilities	32,469	147	110	32,726	162	431	-	33,319
Volunteer Recognition	7,552	688	21	8,261	547	859	-	9,667
Total Expenses	<u>\$ 1,039,617</u>	<u>\$ 142,318</u>	<u>\$ 11,064</u>	<u>\$ 1,192,999</u>	<u>\$ 119,499</u>	<u>\$ 282,757</u>	<u>\$ 77,294</u>	<u>\$ 1,672,549</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services			
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Hospitality Cart	Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries	\$ 372,937	\$ 60,547	\$ 2,561	\$ 436,045	\$ 72,024	\$ 115,116	\$ -	\$ 623,185
Employee Health and Retirement Benefits	58,788	9,544	404	68,736	11,353	18,146	-	98,235
Payroll Taxes	26,826	4,355	184	31,365	5,181	8,281	-	44,827
Total Salaries and Related Expenses	458,551	74,446	3,149	536,146	88,558	141,543	-	766,247
Automobile Expenses	10,372	-	-	10,372	-	-	-	10,372
Cleaning Service and Supplies	4,605	-	-	4,605	-	-	-	4,605
Credit Card and Stock Sales Fees on Donations	-	-	-	-	-	8,490	-	8,490
Depreciation	172,299	13,670	1,060	187,029	705	1,880	-	189,614
Direct Mail	-	-	-	-	-	96,635	-	96,635
House/Program Supplies	150,585	19,729	5,596	175,910	-	-	48,901	224,811
Insurance	20,401	92	69	20,562	5,214	271	709	26,756
Interest expense	-	-	-	-	255	-	-	255
Linens and Laundry	14,140	-	-	14,140	-	-	-	14,140
Maintenance and Repair	84,694	326	244	85,264	359	956	-	86,579
Meetings, Training, and Seminars	18,760	1,843	78	20,681	6,114	4,714	-	31,509
Office Supplies	4,103	263	11	4,377	547	3,526	245	8,695
Other Expenses	-	-	-	-	2,003	-	-	2,003
Postage	3,898	628	26	4,552	43	3,935	1,622	10,152
Printing and Publishing	21,183	2,806	229	24,218	231	8,250	2,075	34,774
Professional Fees	19,124	2,064	87	21,275	2,774	3,794	-	27,843
Rent	-	-	-	-	-	-	566	566
Security Services	42,126	-	-	42,126	-	-	-	42,126
Taxes, Licenses and Fees	-	-	-	-	14,064	-	-	14,064
Technology	32,316	578	578	33,472	587	1,174	-	35,233
Telephone	13,783	1,045	201	15,029	482	943	-	16,454
Travel, Meals, and Entertainment	1,122	818	34	1,974	567	1,264	24,804	28,609
Utilities	37,945	172	128	38,245	189	504	-	38,938
Volunteer Recognition	8,461	514	22	8,997	612	978	-	10,587
Total Expenses	<u>\$ 1,118,468</u>	<u>\$ 118,994</u>	<u>\$ 11,512</u>	<u>\$ 1,248,974</u>	<u>\$ 123,304</u>	<u>\$ 278,857</u>	<u>\$ 78,922</u>	<u>\$ 1,730,057</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,560,944	1,052,200
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	212,275	189,614
Donated Furniture	(7,527)	(12,430)
(Gain) Loss on Disposal of Property and Equipment	(2,434)	2,892
Contributions With Donor Restrictions	(50,000)	(135,000)
Net Realized and Unrealized Gains on Investments	(911,593)	(1,179,351)
(Increase) Decrease in Assets:		
Accounts Receivable	(19,265)	(6,684)
Contributions Receivable	(38,385)	17,581
Prepaid Expenses	94,683	(16,811)
Increase in Liabilities:		
Accounts Payable and Accrued Expenses	32,641	3,913
Net Cash Provided (Used) by Operating Activities	<u>871,339</u>	<u>(84,076)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,136,380)	(1,435,446)
Proceeds from Sale of Investments	1,163,865	1,620,222
Changes in Beneficial Interest	29,992	27,172
Purchases of Property and Equipment	(772,332)	(104,661)
Net Cash Provided (Used) by Investing Activities	<u>(714,855)</u>	<u>107,287</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of Capital Lease Obligation	27,913	-
Payments on Capital Lease Obligation	(4,898)	(5,124)
Contributions With Donor Restrictions	50,000	135,000
Net Cash Provided by Financing Activities	<u>73,015</u>	<u>129,876</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	229,499	153,087
Cash and Cash Equivalents - Beginning of Year	<u>693,861</u>	<u>540,774</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 923,360</u></u>	<u><u>\$ 693,861</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Acquisition of Property and Equipment	\$ 779,859	\$ 117,091
Less Donated Furniture	(7,527)	(12,430)
	<u><u>\$ 772,332</u></u>	<u><u>\$ 104,661</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u><u>\$ 854</u></u>	<u><u>\$ 255</u></u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of the Piedmont Triad, Inc. (the Organization) is a North Carolina, nonprofit charitable corporation formed in January 1981. The mission of Ronald McDonald House Charities (RMHC) is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters, of which the Organization is a member, 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.

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 the Ronald McDonald House Charities of the Piedmont Triad, Inc.:

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 Winston-Salem, 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

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room programs in Wake Forest Baptist Health Brenner Children's Hospital and Novant Health Forsyth Medical Center serve as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. 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.

Ronald McDonald Hospitality Cart

When a child is critically ill, parents may be reluctant to leave their child's bedside or mother to be may be receiving antepartum care at hospital prior to birth of child with medical challenges or family may be receiving services in a hospital too small to support a Ronald McDonald Family Room. To provide comfort and support in these situations requires taking a snack, drink or personal care item to the family. Operating in the antepartum wings of the Wake Forest Baptist Health Brenner Children's Hospital and Novant Health Forsyth Medical Center and the maternity suites of Randolph Health, the Ronald McDonald Hospitality Cart program provides parents with an opportunity to remain close to their hospitalized child or child to be and the medical services they need.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 unrestricted class.

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.

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. The Organization considers all accounts to be fully collectible and no allowance account for uncollectible amounts has been established for them. If amounts become uncollectible, they are charged to bad debts when that determination is made.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

The Organization is the beneficiary under various 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.

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 \$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 and accelerated methods over the estimated useful lives of the assets as follows:

Building and Improvements	15 - 39 Years
Land Improvements	15 Years
Furniture and Fixtures	3 - 7 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. As of December 31, 2020, and 2019, there were no impairment losses recognized for long-lived assets.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets 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.

Deferred Revenue

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

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 maintenance reserves.

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.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. 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. The Organization reports contributions restricted by donors as increases in net assets without restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period the revenue is recognized.

Membership Dues

Membership dues are recognized ratably over the period of membership, which is on a calendar-year basis. Benefits are recognized ratably over the membership period since this most closely approximates the transfer of such member services.

Sponsorship Revenue

The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

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.

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 expenses that are allocated include: salaries, employee health and retirement benefits, payroll taxes, meetings, trainings and seminars, and travel, meals and entertainment which are allocated on the basis of estimates of time and effort; depreciation, insurance, maintenance and repairs, and utilities which are allocated on a square footage basis; office supplies, professional fees, security services, and volunteer recognition which are allocated based on full-time equivalents.

Advertising

Advertising (Printing and Publishing) costs are expensed as incurred. Advertising expense totaled \$32,126 and \$34,774 for 2020 and 2019, respectively.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they are filed.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2019 to conform with the presentation for the year ended December 31, 2020. The reclassifications had no impact on previously reported net assets.

Friends of the Ronald McDonald House

The Friends of the Ronald McDonald House, which promotes fundraising events for the Organization such as luminary sales and the Character Breakfast fundraiser, merged with the Organization effective June 1, 1997. The Friends also organize volunteers to provide meals and other services for the Organization.

NOTE 2 LIQUIDITY

The Organization has \$1,170,029 and \$1,177,563 of financial assets, as of December 31, 2020 and 2019, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the current assets section of the statement. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The current contributions receivable are subject to time restrictions but will be collected within one year.

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, the Organization maintains an operating reserve that allows for annual spending of 5% of assets based on a rolling preceding 12 quarters average market value, if needed. \$429,065 of appropriations from the operating reserve will be available within the next 12 months.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 LIQUIDITY (CONTINUED)

In addition, although the Organization does not intend to spend from its board-designated maintenance reserve, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its board-designated maintenance reserve could be made available if necessary. The board-designated maintenance reserve balance of \$1,400,000 will be available within the next 12 months.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of pledges, to the Home Away from Home Annual Campaign (HAFHAC), as of the years ended December 31:

	2020	2019
Amounts due in less than one year:		
Home Away from Home Annual Campaign	\$ 66,090	\$ 27,561
HAFHAC via United Way of Forsyth County	4,029	4,173
	<hr/>	<hr/>
Total	70,119	31,734
Unamortized Discount	-	-
Allowance for Uncollectibles	-	-
Net Contributions Receivable	<hr/> <u>\$ 70,119</u>	<hr/> <u>\$ 31,734</u>

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 THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of assets and liabilities measured on a recurring basis as of December 31, 2020 and 2019 are as follows:

	Cost	Fair Value	Fair Value Measurements at December 31, 2020 Using		
			Level 1	Level 2	Level 3
Assets:					
Recurring					
Investments by Market Sector:					
Money Market Funds	\$ 618,517	\$ 618,517	\$ 618,517	\$ -	\$ -
Mutual Funds	2,879,469	3,108,853	3,108,853	-	-
Energy	66,643	66,519	66,519	-	-
Materials	22,194	39,024	39,024	-	-
Industrials	203,493	311,607	311,607	-	-
Communication Services	223,354	408,769	408,769	-	-
Consumer Discretionary	80,466	126,111	126,111	-	-
Consumer Staples	34,254	57,187	57,187	-	-
Financials	151,276	192,943	192,943	-	-
Health Care	324,402	510,108	510,108	-	-
Information Technology	286,152	676,509	676,509	-	-
Total Investments	4,890,220	6,116,147	6,116,147	-	-
Beneficial Interests in Assets					
Held by Others	1,489,198	3,547,754	3,547,754	-	-
Total	<u>\$6,379,418</u>	<u>\$9,663,901</u>	<u>\$9,663,901</u>	<u>\$ -</u>	<u>\$ -</u>

	Cost	Fair Value	Fair Value Measurements at December 31, 2019 Using		
			Level 1	Level 2	Level 3
Assets:					
Recurring:					
Investments by Market Sector:					
Money Market Funds	\$ 628,513	\$ 628,513	\$ 628,513	\$ -	\$ -
Certificates of Deposit	200,000	200,000	200,000	-	-
Mutual Funds	2,647,825	2,697,886	2,697,886	-	-
Energy	44,373	41,272	41,272	-	-
Materials	41,080	50,657	50,657	-	-
Industrials	93,519	126,242	126,242	-	-
Communication Services	233,960	364,723	364,723	-	-
Consumer Discretionary	96,088	112,030	112,030	-	-
Consumer Staples	156,985	189,159	189,159	-	-
Health Care	269,045	453,188	453,188	-	-
Information Technology	275,416	536,892	536,892	-	-
Utilities	44,155	44,875	44,875	-	-
Total Investments	4,730,959	5,445,437	5,445,437	-	-
Beneficial Interests in Assets					
Held by Others	1,519,190	3,364,348	3,364,348	-	-
Total Assets	<u>\$6,250,149</u>	<u>\$8,809,785</u>	<u>\$8,809,785</u>	<u>\$ -</u>	<u>\$ -</u>

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values for Level 1 investments are based on quoted net asset values of the shares held by the Organization at year-end for mutual funds and the fair value of common stock, corporate bonds, and U.S. Government securities are based on quoted market prices. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 3 investments are determined from valuation techniques in which one or more inputs are unobservable. The carrying amounts of all other assets and liabilities reflected in the statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

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.

The composition of investment income (loss) on the Organization's investment portfolio for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Interest and Dividend Income	\$ 76,902	\$ 117,122
Realized Gain	191,658	211,639
Unrealized Gain	724,847	932,721
Less Investment Expenses	(81,814)	(82,131)
Investment Income, Net	<u>\$ 911,593</u>	<u>\$ 1,179,351</u>

NOTE 5 PROPERTY AND EQUIPMENT

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

	2020	2019
Artwork	\$ 7,000	\$ 7,000
Building and Improvements	5,164,894	5,147,888
Family Rooms	192,632	191,846
Furniture and Fixtures	1,112,348	790,135
Land and Improvements	1,276,808	894,443
Total, at Cost	7,753,682	7,031,312
Less Accumulated Depreciation	2,927,872	2,769,793
Total Property and Equipment, Net	<u>\$ 4,825,810</u>	<u>\$ 4,261,519</u>

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 BOARD DESIGNATED MAINTENANCE RESERVES

The Board of Directors designated \$1,400,000 in 2020 and 2019 for maintenance reserves. Capital maintenance expenditures will be deducted from the interest generated by the designated funds.

NOTE 7 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization is beneficiary of several trusts which are administered by The Winston-Salem Foundation under irrevocable trust agreements. The Foundation annually distributes the earnings on the funds to the Organization. In addition, a portion of the principal may be distributed as requested by the Board of Directors, subject to approval by The Winston-Salem Foundation Committee. The market value of the trusts administered by The Winston-Salem Foundation for the Organization at December 31, 2020 and 2019 are as follows:

	2020	2019
Endowment fund principal account	\$ 1,652,692	\$ 1,629,490
Endowment fund income account	1,592,035	1,447,496
M.W. Parker endowment fund	303,027	287,362
Total Beneficial Interest	<u>\$ 3,547,754</u>	<u>\$ 3,364,348</u>

Under the Organization's irrevocable trust agreement with the Foundation, the Organization cannot reduce the Endowment Fund Principal Account balance below \$35,000 through withdrawals of earnings and principal. Income and principal from the M.W. Parker Endowment Fund is considered unrestricted and Board designated, and distributions from principal may equal twenty-five percent of the principal value each year. Income from the Elizabeth T. Williams Charitable Annuity Lead Trust are included in the Endowment Fund Principal Account and are donor restricted for maintenance and future expansion of facilities. See Note 8.

NOTE 8 ENDOWMENT FUNDS

The Organization's endowment consists of two individual funds established by donors to provide annual funding for specific activities, general operations, and maintenance and future expansion of facilities. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the board of directors.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by that standard. In accordance with that standard, 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, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the board of directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through June 30th of the preceding calendar year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at an average rate of 5% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets and net assets by type of fund were as follows for the year ended December 31, 2020:

	Without Donor Unrestricted	With Donor Restrictions	Total
Endowment Net Assets, December 31, 2019	\$ 3,114,086	\$ 740,262	\$ 3,854,348
Investment Return:			
Investment Income, Net	342	-	342
Net Appreciation (Realized and Unrealized)	183,064	-	183,064
Total Investment Return	3,297,492	740,262	3,854,348
Contributions	-	-	-
Reclassification to Endowment Asset	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-
Other Changes:			
Transfers to Remove Board-Designated Endowment Funds	-	-	-
Endowment Net Assets, December 31, 2020	\$ 3,297,492	\$ 740,262	\$ 4,037,754
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 740,262	\$ 740,262
Board-Designated Endowment Funds	3,297,492	-	3,297,492
Total Funds	\$ 3,297,492	\$ 740,262	\$ 4,037,754

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

	Without Donor Unrestricted	With Donor Restrictions	Total
Endowment Net Assets, December 31, 2018	\$ 2,748,560	\$ 740,262	\$ 3,488,822
Investment Return:			
Investment Income, Net	2,795	-	2,795
Net Appreciation (Realized and Unrealized)	362,731	-	362,731
Total Investment Return	3,114,086	740,262	3,854,348
Contributions	-	-	-
Reclassification to Endowment Asset	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-
Other Changes:			
Transfers to Remove Board-Designated Endowment Funds	-	-	-
Endowment Net Assets, December 31, 2019	\$ 3,114,086	\$ 740,262	\$ 3,854,348
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 740,262	\$ 740,262
Board-Designated Endowment Funds	3,114,086	-	3,114,086
Total Funds	\$ 3,114,086	\$ 740,262	\$ 3,854,348

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

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. Deficiencies, if any, may result from unfavorable market fluctuations that occur shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that may be deemed prudent by the board of directors. There were no such deficiencies as of December 31, 2020 and 2019.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to expenditure for specific purpose:		
Ronald McDonald House Charities Operations:		
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ 490,000	\$ 490,000
Annual operating expenses including capital improvement and future expansion of facilities	258,333	258,333
Maintenance and future expansion of facilities	250,262	250,262
Construction of Cone Health Ronald McDonald Family Room	120,000	100,000
Purchase of hospitality carts and supplies	32,111	11,530
Total net assets with donor restrictions	<u>\$ 1,150,706</u>	<u>\$ 1,110,125</u>

NOTE 10 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:

	2020	2019
Purpose restrictions accomplished:		
Hospitality carts and supplies	\$ 9,419	\$ 23,470
Investment earnings	65,382	86,825
Total Released from Restriction	<u>\$ 74,801</u>	<u>\$ 110,295</u>

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's governing board of directors has designated net assets without donor restrictions for the following purpose as of December 31:

	2020	2019
Board designated reserves:		
Maintenance reserves	\$ 1,400,000	\$ 1,400,000
Undesignated	12,968,198	11,447,835
	<u>\$ 14,368,198</u>	<u>\$ 12,847,835</u>

NOTE 12 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, 2020 and 2019 are as follows:

	2020	2019
Family support services food expense	\$ 76,529	\$ 84,978
House landscaping, cleaning and storage expenses	27,531	27,723
Family support services supplies expense	12,408	32,045
Property and equipment	7,527	12,430
Marketing and promotion expenses	6,190	1,800
Health insurance expense	5,753	-
Volunteer program expenses	2,750	-
Family support services transportation	1,000	18,559
Staff and board development expenses	606	2,343
Total	<u>\$ 140,294</u>	<u>\$ 179,878</u>

In May 2011, the Organization obtained a two-year lease for a vehicle donated by a car dealer. The car was wrapped to advertise the Organization and is used to support families. The lease has continued to be renewed for two additional years from 2013 through 2021. When the lease renews for a two-year period, the lease is recorded as contribution income with a total value of \$17,289. The prepaid lease value was \$3,237 and \$11,884 at December 31, 2020 and 2019, respectively. In 2020 and 2019, lease expense was \$8,645.

NOTE 13 TAX-DEFERRED ANNUITY PLAN

The Organization, in 1998, implemented a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code for all eligible employees of the Organization. The Organization contributes up to a maximum of 6% 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 \$31,746 and \$29,981 for the years ended December 31, 2020 and 2019, respectively.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 14 CAPITAL LEASE

In January 2020, the Organization entered into a new copier lease with payments of \$509 per month through January 2025. The remaining payments of the old lease were forgiven as part of the new lease terms. The economic substance of the lease is that the Organization is financing the \$27,913 acquisition cost of the copier through the lease and, accordingly, it is recorded in the Organization's assets and liabilities. Accumulated depreciation on the copier as of December 31, 2020 and 2019 was \$2,791 and \$-0-, respectively. Amortization of assets held under capital leases is included with depreciation expense.

The following is a schedule of future minimum payments required under the lease with their present value as of December 31, 2020:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 6,108
2022	6,108
2023	6,108
2024	6,108
2025	356
Total minimum lease payments	\$ 24,788
Less amount representing interest	1,773
	<hr/>
Present value of minimum lease payments	\$ 23,015

Interest expense incurred on capital leases for 2020 and 2019 was \$854 and \$255, respectively.

NOTE 15 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. The Organization is also one of five Chapters in North Carolina that is affiliated with Ronald McDonald House Charities of North Carolina, Inc. (RMHC NC) until December 31, 2021, at which time this affiliation will end and RMHC NC will cease all operations. In anticipation of this change, in April 2021 the Organization officially changed its name from Ronald McDonald House of Winston-Salem, Inc. to Ronald McDonald House Charities of the Piedmont Triad, Inc. 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 THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 15 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. RMHC NC receives 75% of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. Beginning in January 2021, the Organization began receiving 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, 2020 and 2019, the Organization received from RMHC NC \$265,000 and \$66,948, and from RMHC Global \$40,000 and \$100,000, respectively, from these revenue streams.

NOTE 16 COMMITMENTS

In December 2020, the Organization contracted with an interior design company, general contractor and engineering firm, for the development of a Ronald McDonald Family Room at the Women's & Children's Center at Moses Cone Hospital in Greensboro, NC at a total project cost of \$279,293.

NOTE 17 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, 2021. Early adoption is permitted and was done by Management in 2016 as reflected in Note 14.

NOTE 18 SUBSEQUENT EVENTS

COVID-19

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. In addition, investment markets may continue to experience significant fluctuations. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

RONALD MCDONALD HOUSE CHARITIES OF THE PIEDMONT TRIAD, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 18 SUBSEQUENT EVENTS (CONTINUED)

General

Management evaluated subsequent events through the report date, 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.