

**RONALD McDONALD HOUSE CHARITIES
NY TRI-STATE AREA, INC.**

FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 2017
AND 2016**

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

DECEMBER 31, 2017 AND 2016

INDEX

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-10

Independent Auditor's Report

Board of Trustees
Ronald McDonald House Charities NY Tri-State Area, Inc.

We have audited the accompanying financial statements of Ronald McDonald House Charities NY Tri-State Area, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016 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 of 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 Company'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 Company'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 NY Tri-State Area, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


CORNICK GARBER SANDLER LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
September 7, 2018

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash in bank	\$ 4,173,192	\$ 4,376,811
Canister collections receivable	32,069	118,681
Due from RMHC Global	283,790	80,087
Contributions receivable	75,681	100,962
TOTAL ASSETS	<u>\$ 4,564,732</u>	<u>\$ 4,676,541</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 10,414	\$ 88,740
Scholarships payable	47,400	8,000
Total liabilities	57,814	96,740
Commitments and contingencies		
Net assets:		
Unrestricted	<u>4,506,918</u>	<u>4,579,801</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,564,732</u>	<u>\$ 4,676,541</u>

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31,

	2017			2016		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenues and support:						
National and special events	\$ 828,015	\$ 595,890	\$ 232,125	\$ 762,846	\$ 578,828	\$ 184,018
Less costs of direct benefits to donors	(46,271)	(46,271)	-	(46,749)	(46,749)	-
Net revenue from national and special events	781,744	549,619	232,125	716,097	532,079	184,018
Ronald McDonald store canisters	1,158,336	1,158,336	-	1,445,428	1,445,428	-
Other general public and corporate support	478,011	278,011	200,000	447,455	183,689	263,766
Interest income	8,652	8,652	-	9,346	9,346	-
Donated services	20,000	20,000	-	20,000	20,000	-
Net assets released from restrictions	-	432,125	(432,125)	-	447,784	(447,784)
Total revenues and support	2,446,743	2,446,743	-	2,638,326	2,638,326	-
Expenses:						
Program services	1,958,646	1,958,646	-	1,985,930	1,985,930	-
Supporting services:						
Management and general	183,166	183,166	-	218,070	218,070	-
Fundraising	174,863	174,863	-	318,487	318,487	-
Payments to RMHC Global	202,951	202,951	-	304,176	304,176	-
Total expenses	2,519,626	2,519,626	-	2,826,663	2,826,663	-
DECREASE IN NET ASSETS	(72,883)	(72,883)	-	(188,337)	(188,337)	-
Net assets at beginning of year	4,579,801	4,579,801	-	4,768,138	4,768,138	-
NET ASSETS AT END OF YEAR	\$ 4,506,918	\$ 4,506,918	\$ -	\$ 4,579,801	\$ 4,579,801	\$ -

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31,

	2017				2016			
	Total	Program Services	Management and General	Fund-Raising	Total	Program Services	Management and General	Fund-Raising
Grants to individual Ronald McDonald Houses	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
Scholarship awards	659,269	659,269	-	-	647,459	647,459	-	-
Grants to nonprofit organizations	225,000	225,000	-	-	263,750	263,750	-	-
Payroll and related cost	246,796	74,377	139,236	33,183	248,602	74,721	140,651	33,230
Canister collection and repair costs	141,680	-	-	141,680	225,115	-	-	225,115
Professional fees	31,236	-	31,236	-	32,265	-	32,265	-
Insurance and outside services	9,460	-	9,460	-	7,736	-	7,736	-
Advertising	-	-	-	-	25,000	-	25,000	-
Activity center merchandisers	-	-	-	-	59,986	-	-	59,986
Other costs	3,234	-	3,234	-	12,574	-	12,418	156
Total	\$ 2,316,675	\$ 1,958,646	\$ 183,166	\$ 174,863	\$ 2,522,487	\$ 1,985,930	\$ 218,070	\$ 318,487

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

STATEMENTS OF CASH FLOWS

	Year Ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
INCREASE (DECREASE) IN CASH		
Cash flows from operating activities:		
Decrease in net assets	\$ (72,883)	\$ (188,337)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net changes in assets and liabilities:		
Canister collections receivable	86,612	66,637
Due from RMHC Global	(203,703)	(42,756)
Contributions receivable	25,281	(43,436)
Accounts payable	(78,326)	59,920
Scholarships payable	39,400	(11,208)
	<u>(203,619)</u>	<u>(159,180)</u>
Net cash used in operating activities	(203,619)	(159,180)
NET DECREASE IN CASH	(203,619)	(159,180)
Cash in bank - January 1	4,376,811	4,535,991
CASH IN BANK - DECEMBER 31	<u>\$ 4,173,192</u>	<u>\$ 4,376,811</u>

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies

Operations

The Charity is a not-for-profit corporation organized to raise funds to support local Ronald McDonald Houses and local and national charities benefiting children as well as to provide scholarships to minority students in the New York tri-state area. The expenses of the Charity on the statement of activities were incurred in connection with the stated purpose of the Charity. McDonald's Corporate Regional Office in New Jersey provides physical facilities and administrative services to the Charity without charge. However, since the value of these services is not readily ascertainable, they are not reflected in the attached financial statements.

Basis of Accounting

The Charity presents its financial statements on the accrual basis of accounting and, therefore, any contributions pledged to it or grants made are recorded when the pledge or grant is made and there are no unfulfilled conditions relating to each. Cash canister collection receipts are substantially recorded based upon collection reports submitted by a bonded collection service. Certain services received by the Charity without charge, the value of which is objectively determinable, are recorded as both revenue and expense in the attached statement of activities. For the years ended December 31, 2017 and 2016, such services were comprised of \$20,000 of professional fees.

Financial Statement Presentation

The Charity follows the reporting format of the standard on "Financial Statements of Not-For-Profit Organizations" issued by the Financial Accounting Standards Board which requires that information about financial position and activities be reported according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Charity had no temporarily or permanently restricted net assets as of December 31, 2017 and 2016.

Contributions

Contributions received by the Charity consist of direct public support, indirect public support and contributions received from the local McDonald's Owner/Operator Association. Direct public support includes contributions, gifts, grants and bequests received directly from the public, including individuals, corporations, trusts, estates, foundations and other organizations not affiliated with the recipient and contributions received from collection canisters at local McDonald's restaurants, certain of whose owners serve on the Board of Trustees of the Charity. The costs of the bonded collection service used for canister collections and of repairing and replacing the canisters are included with fundraising costs. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires or the purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Income Taxes

The Charity has registered with the Treasury Department under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes on its operations. The Charity 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Charity has considered subsequent events occurring through September 7, 2018, the date the financial statements were available for issuance, in evaluating its estimates and in the preparation of its financial statements. No subsequent events occurred which would require disclosure in these financial statements.

NOTE B - Concentration of Risk

The Charity's cash funds are deposited at one large banking institution. As of December 31, 2017 and 2016, substantially all of the Charity's cash balance exceeded federally insured limits.

NOTE C - Commitments and Contingencies

The Board of Trustees has authorized future scholarship grants, which are conditioned upon the grantee enrolling at the designated university in future academic years. Since such grants are conditioned upon a future event, they are not recorded in the financial statements until they become unconditional and payable.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C - Commitments and Contingencies (Continued)

The following summarizes the remaining unpaid authorized scholarship grants which are not reflected in the financial statements:

As at December 31, 2017

<u>Total</u>	<u>Year Authorized</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>\$1,098,750</u>	<u>\$575,750</u>	<u>\$308,000</u>	<u>\$203,000</u>	<u>\$12,000</u>

As at December 31, 2016

<u>Total</u>	<u>Year Authorized</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>\$1,028,000</u>	<u>\$462,000</u>	<u>\$378,000</u>	<u>\$184,000</u>	<u>\$4,000</u>

The scholarships payable on the statement of financial position at December 31, 2017 and 2016 represent amounts payable for currently enrolled students at that date. On June 28, 2017, the Board of Trustees voted to suspend all scholarship awards in 2018.

In 2017 and 2016, the Board of Trustees also approved future grants to individual Ronald McDonald Houses totaling \$1,000,000 and \$1,000,000, respectively. These future grants are not recorded in the financial statements until they are communicated to the grantee which occurs subsequent to year end or until the grantee meets a required condition.

NOTE D - Due from (to) RMHC Global

As part of a national affiliation agreement, the Charity is obligated to remit 25% of certain monetary contributions received, net of fund-raising expenses, to the National Ronald McDonald House Charities Organization ("RMHC Global"). RMHC Global may, upon notice to the Charity, change the remittance percentage. During the fourth quarter of 2017, RMHC Global centralized the canister collections and paid the third party collection service. RMHC Global now remits to the Charity net of the 25% due to RMHC Global. During the fourth quarter of 2017, net canister collections remitted from RMHC Global were \$195,437, while during the fourth quarter of 2016, gross canister collections were \$346,681, which included an \$88,321 contributions received less \$13,276 third party collection service paid by the Charity.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D - Due from (to) RMHC Global (Continued)

Due from (to) RMHC Global is comprised of the following as of December 31:

	2017	2016
Receivables from RMHC Global for:		
1 Penny Happy Meal promotions	\$ 44,739	\$ 39,751
#LovinforRMHC	111,275	115,381
Canister collections	127,776	-
	<u>283,790</u>	155,132
Less due to RMHC Global for canister collections received	<u>-</u>	<u>(75,045)</u>
Total	<u>\$283,790</u>	<u>\$ 80,087</u>

NOTE E - Recent Accounting Pronouncements

Financial Statements of Nonprofit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The main provisions of the update impact the classification and presentation of net asset balances, enhance disclosures regarding the liquidity of the entity's assets, and the nature and functional classification of expenses. The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Charity for the year ending December 31, 2018. Management is evaluating the impact of this standard on its financial statements.