

**RONALD MCDONALD HOUSE CHARITIES  
OF NORTHEASTERN OHIO, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2018 and 2017**

RONALD MCDONALD HOUSE CHARITIES  
OF NORTHEASTERN OHIO, INC.

CONTENTS

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	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4-5
Statements of cash flows	6
Notes to financial statements	7-14



## Independent Auditors' Report

To the Board of Directors  
Ronald McDonald House Charities of Northeastern Ohio, Inc.  
Independence, Ohio

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northeastern Ohio, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

### **Auditors' 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 audit 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 auditors' 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 auditors consider 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 Northeastern Ohio, Inc. as of December 31, 2018 and 2017, 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.

*Maloney + Novotny LLC*

Canton, Ohio  
May 20, 2019

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 562,259	\$ 427,321
Accounts Receivable	72,508	69,667
Short-Term Investments	350,815	478,800
Prepaid Expenses	659	3,658
Other Assets	646	646
Total Current Assets	<u>986,887</u>	<u>980,092</u>
NONCURRENT ASSETS		
Property and Equipment, Net	<u>6,704</u>	<u>55,622</u>
Total Noncurrent Assets	<u>6,704</u>	<u>55,622</u>
Total Assets	<u>\$ 993,591</u>	<u>\$ 1,035,714</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 486	\$ 1,320
Deferred Revenue	-	10,025
Grants Payable	<u>13,968</u>	<u>19,449</u>
Total Current Liabilities	<u>14,454</u>	<u>30,794</u>
NET ASSETS		
Without Donor Restrictions	<u>979,137</u>	<u>1,004,920</u>
Total Net Assets	<u>979,137</u>	<u>1,004,920</u>
Total Liabilities and Net Assets	<u>\$ 993,591</u>	<u>\$ 1,035,714</u>

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	<u>Without Donor Restrictions</u>	
REVENUES AND OTHER SUPPORT		
Contributions	\$ 292,071	\$ 344,657
Special Events Revenue	310,313	335,032
In-Kind Donations	3,000	6,000
(Loss) on Disposal of Property and Equipment	(44,718)	-
Total Revenues and Other Support	<u>560,666</u>	<u>685,689</u>
EXPENSES		
Program Services	474,380	674,575
Management and General	47,371	56,368
Fundraising	8,060	8,784
Cost of Direct Benefits to Donors	42,102	42,774
Total Expenses	<u>571,913</u>	<u>782,501</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(11,247)	(96,812)
INVESTMENT RETURN, NET	<u>(14,536)</u>	<u>111,542</u>
CHANGE IN NET ASSETS	(25,783)	14,730
Net Assets - Beginning of Year	<u>1,004,920</u>	<u>990,190</u>
NET ASSETS - END OF YEAR	<u>\$ 979,137</u>	<u>\$ 1,004,920</u>

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	YEAR ENDED DECEMBER 31, 2018								
	Program Services				Supporting Services				
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	Supplemental Program Expenses	Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries	\$ -	\$ -	\$ -	\$ 57,925	\$ 57,925	\$ 26,735	\$ 4,456	\$ -	\$ 89,116
Employee Health Benefits	-	-	-	17,443	17,443	8,051	1,342	-	26,836
Payroll Taxes	-	-	-	4,431	4,431	2,045	341	-	6,817
Total Salaries and Related Expenses	-	-	-	79,799	79,799	36,831	6,139	-	122,769
Depreciation	-	-	-	2,730	2,730	1,260	210	-	4,200
Donor Recognition	-	-	-	-	-	-	-	42,102	42,102
Grants	101,000	40,000	75,000	152,633	368,633	-	-	-	368,633
In-Kind Expense	-	-	-	1,950	1,950	900	150	-	3,000
Insurance	-	-	-	343	343	158	26	-	527
Meetings, Training, and Seminars	-	-	-	522	522	241	40	-	803
Office Supplies	-	-	-	504	504	233	39	-	776
Other Expenses	-	-	-	584	584	270	45	-	899
Postage	-	-	-	141	141	38	9	-	188
Printing and Publishing	-	-	-	256	256	48	16	-	320
Professional Fees	-	-	-	7,445	7,445	3,436	573	-	11,454
Public Relations	-	-	-	1,166	1,166	137	69	-	1,372
Rent	-	-	-	5,473	5,473	2,526	421	-	8,420
Technology	-	-	-	675	675	312	52	-	1,039
Telephone	-	-	-	1,845	1,845	852	142	-	2,839
Travel, Meals, and Entertainment	-	-	-	2,314	2,314	129	129	-	2,572
Total Expenses	\$ <u>101,000</u>	\$ <u>40,000</u>	\$ <u>75,000</u>	\$ <u>258,380</u>	\$ <u>474,380</u>	\$ <u>47,371</u>	\$ <u>8,060</u>	\$ <u>42,102</u>	\$ <u>571,913</u>

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	YEAR ENDED DECEMBER 31, 2017								
	Program Services				Supporting Services				
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	Supplemental Program Expenses	Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries	\$ -	\$ -	\$ -	\$ 58,355	\$ 58,355	\$ 26,933	\$ 4,489	\$ -	\$ 89,777
Employee Health Benefits	-	-	-	12,968	12,968	5,985	998	-	19,951
Payroll Taxes	-	-	-	4,464	4,464	2,060	343	-	6,867
Total Salaries and Related Expenses	-	-	-	75,787	75,787	34,978	5,830	-	116,595
Depreciation	-	-	-	9,582	9,582	4,423	737	-	14,742
Donor Recognition	-	-	-	-	-	-	-	42,774	42,774
Grants	201,000	40,000	75,000	169,037	485,037	-	-	-	485,037
In-Kind Expense	-	-	-	3,900	3,900	1,800	300	-	6,000
Insurance	-	-	-	343	343	158	26	-	527
Meetings, Training, and Seminars	-	-	-	886	886	409	68	-	1,363
Office Supplies	-	-	-	527	527	243	41	-	811
Other Expenses	-	-	-	286	286	132	22	-	440
Postage	-	-	-	206	206	55	14	-	275
Printing and Publishing	-	-	-	78	78	15	5	-	98
Professional Fees	-	-	-	8,252	8,252	3,809	635	-	12,696
Public Relations	-	-	-	1,535	1,535	181	90	-	1,806
Rent	-	-	-	5,454	5,454	2,517	420	-	8,391
Scholarship	-	-	-	72,696	72,696	6,321	-	-	79,017
Technology	-	-	-	252	252	116	19	-	387
Telephone	-	-	-	1,649	1,649	761	127	-	2,537
Travel, Meals, and Entertainment	-	-	-	8,105	8,105	450	450	-	9,005
Total Expenses	\$ 201,000	\$ 40,000	\$ 75,000	\$ 358,575	\$ 674,575	\$ 56,368	\$ 8,784	\$ 42,774	\$ 739,727

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (25,783)	\$ 14,730
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,200	14,742
Loss on Disposal of Property and Equipment	44,718	-
Net Unrealized Loss (Gain) on Investments	39,825	(100,724)
(Increase) Decrease:		
Accounts Receivable	(2,841)	23,609
Prepaid Expenses	2,999	(1,498)
Increase (Decrease):		
Accounts Payable	(834)	(32,630)
Deferred Revenue	(10,025)	10,025
Grants Payable	(5,481)	402
Net Cash Provided (Used) by Operating Activities	<u>46,778</u>	<u>(71,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	105,537	-
Purchases of Investments	<u>(17,377)</u>	<u>(7,783)</u>
Net Cash Provided (Used) by Investing Activities	<u>88,160</u>	<u>(7,783)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	134,938	(79,127)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>427,321</u>	<u>506,448</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 562,259</u>	<u>\$ 427,321</u>

The accompanying notes are an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS

**Organization and Summary of Significant Accounting Policies**

- A. Ronald McDonald House Charities of Northeastern Ohio, Inc. (the Organization) is an Ohio nonprofit charitable corporation formed in 1988. 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, Ronald McDonald House Charities 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.

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, sponsored 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 programs located in Akron and Cleveland, which provide 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 program serves 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 Care Mobile**

The Ronald McDonald Care Mobile (RMCM) program provides access to pediatric medical, dental and/or health education services for children living in underserved communities. The RMCM program is breaking down the barriers to health care, expanding critical health care access and extending the reach to countless underserved children. The RMCM program serves children that are at great risk to develop acute conditions, dental problems, chronic diseases and even serious lifelong illnesses. Through partnerships with local healthcare organizations and government ministries, the Organization is bringing clinical services and health education directly to those in need, so children can receive high quality, convenient care right in their own neighborhood – from urban communities to remote, hard-to-reach areas.

**Other Program Services**

These expenses supplement the Ronald McDonald House, Ronald McDonald Family Room, and Ronald McDonald Care Mobile programs to fulfill the mission of the Organization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Organization and Summary of Significant Accounting Policies (Continued)**

- B. **Basis of Accounting** – 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. The Organization had no net assets with donor restrictions at December 31, 2018 and 2017. 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.
- C. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.
- D. **Cash and Cash Equivalents** – Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. Included in cash and cash equivalents is \$484,284 and \$370,878 of non-Federal Deposit Insurance Corporation (FDIC) insured money market funds for the years ended December 31, 2018 and 2017, respectively.
- E. **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. Management has determined that no allowance was necessary as of December 31, 2018 and 2017.
- F. **Short-Term 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.
- G. **Property and Equipment** – Property and equipment are stated at cost if purchased or at fair value on the contribution date if donated. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the related assets.

Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Organization and Summary of Significant Accounting Policies (Continued)**

- H. **Income Tax Status** – The Organization is exempt from Federal income taxes 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.

- I. **Concentrations of Credit Risk** – Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and short-term investments. The Organization places these items with financial institutions it deems to be high quality and creditworthy.

- J. **Donated Services and Materials** – A substantial number of the Organization's volunteers have donated significant amounts of their time to the Organization's program services. Amounts have been recognized in the accompanying statements of activities only if they meet the criteria for recognition of such volunteer effort under U.S. GAAP. For the years ended December 31, 2018 and 2017, in-kind services and materials totaling \$3,000 and \$6,000, respectively are reflected in the statements of activities and statements of functional expenses.

- K. **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. These expenses are allocated based on time studies, usage of resources, and other various allocations as deemed appropriate by management. These allocations are consistently applied throughout the financial statement. Costs of direct benefits to donors includes direct fundraising expenses.

- L. **Liquidity** – The Organization has \$985,582 of financial assets 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 Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$55,000.

- M. **Advertising** – The Organization participates in various advertising and marketing programs. All costs related to marketing and advertising the Organization's services are expensed in the period incurred.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Organization and Summary of Significant Accounting Policies (Continued)**

- N. Change in Accounting Principle – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:
- Unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
  - The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions
  - The financial statements include a disclosure about liquidity and availability of resources
  - Investment expenses are included in net investment return
- O. Reclassification – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.
- P. Subsequent Events – Management has evaluated subsequent events through May 20, 2019, which is the date the financial statements were available to be issued.

**Note 1. Accounts Receivable**

Accounts receivable consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Donation box collections in transit	\$ 31,492	\$ 35,757
Fry box contributions	9,310	-
Network for Good	-	104
RMHC, Inc.	<u>31,706</u>	<u>33,806</u>
	<u>\$ 72,508</u>	<u>\$ 69,667</u>

**Note 2. Fair Value Measurements**

U.S. GAAP defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date, measured in the principal market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the organization making the measurement.

U.S. GAAP specifies a hierarchy of inputs to valuation techniques, which categorize inputs to fair value measurements that reflect assumptions other market participants would use, based upon market data obtained for independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Fair Value Measurements (Continued)**

Level 1 Inputs: Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.

Level 2 Inputs: Inputs other than the quoted prices in active markets that are observable either directly or indirectly for similar assets and liabilities.

Level 3 Inputs: Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurement.

U.S. GAAP requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be reflective of future values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table shows the Organization's investments within the fair value hierarchy at December 31:

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 484,284	\$ -	\$ -	\$ 484,284
Total money market funds	\$ <u>484,284</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>484,284</u>
Mutual funds - bonds	\$ 45,292	\$ -	\$ -	\$ 45,292
Mutual funds - equities	195,188	-	-	195,188
Mutual funds - commodities	9,192	-	-	9,192
Common stock - McDonald's Corporation	<u>101,143</u>	<u>-</u>	<u>-</u>	<u>101,143</u>
Total investments	\$ <u>350,815</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>350,815</u>

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Fair Value Measurements (Continued)**

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ <u>370,878</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>370,878</u>
Total money market funds	\$ <u>370,878</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>370,878</u>
Mutual funds - bonds	\$ 44,681	\$ -	\$ -	\$ 44,681
Mutual funds - equities	216,344	-	-	216,344
Mutual funds - commodities	9,980	-	-	9,980
Common stock - McDonald's Corporation	<u>207,795</u>	<u>-</u>	<u>-</u>	<u>207,795</u>
Total investments	\$ <u>478,800</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>478,800</u>

The following schedule summarizes the investment income activity and its classification on the statements of activities for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 15,681	\$ 10,818
Realized gain on investments	9,608	17,790
Unrealized (loss) gain on investments	<u>(39,825)</u>	<u>82,934</u>
	(14,536)	111,542
Less investment fees	-	-
Net investment return	\$ <u>(14,536)</u>	\$ <u>111,542</u>

**Note 3. Property and Equipment**

Components of property and equipment at December 31, are as follows:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 5,005	\$ 5,005
Furniture and fixtures	7,471	252,128
Computer website redesign and software	<u>11,000</u>	<u>11,000</u>
	23,476	268,133
Less accumulated depreciation	<u>16,772</u>	<u>212,511</u>
Net property and equipment	\$ <u>6,704</u>	\$ <u>55,622</u>

Depreciation expense was \$4,200 and \$14,742 for 2018 and 2017, respectively.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Related Party Transactions**

The Organization received various contributions from RMHC, Inc. of \$71,867 and \$155,574 during 2018 and 2017, respectively, that were either allocated or specifically designated to the Northeastern Ohio Chapter.

In connection with an affiliation agreement with the Akron and Cleveland Ronald McDonald Houses, the Organization provides minimum grants to each organization of \$40,000 annually. Amounts paid to each Ronald McDonald House, were as follows at December 31:

	<u>RMH - Akron</u>	<u>2018</u> <u>RMH - Cleveland</u>
Grants	\$ 40,000	\$ 40,000
Ronald McDonald Family Room	-	40,000
Events and sponsorships	<u>11,000</u>	<u>10,000</u>
	<u>\$ 51,000</u>	<u>\$ 90,000</u>

  

	<u>RMH - Akron</u>	<u>2017</u> <u>RMH - Cleveland</u>
Grants	\$ 90,000	\$ 90,000
Ronald McDonald Family Room	-	40,000
Events and sponsorships	<u>11,000</u>	<u>10,000</u>
	<u>\$ 101,000</u>	<u>\$ 140,000</u>

**Note 5. Leases**

The Organization leases office space under a non-cancelable operating lease expiring in February 2020.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31:

2019	\$ 8,068
2020	1,350

Rent expense for leased facilities was \$8,420 and \$8,391 for the years ended December 31, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 6. Recent Accounting Pronouncements**

Clarifying Scope and the Accounting Guidance for Contributions – In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, Not-for-Profit Entities – Revenue Recognition, should be followed. For exchange transactions, Topic 606, Revenue from Contracts with Customers, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for the Organization for the year ending December 31, 2019. As a resource provider, the guidance will be effective for the Organization for the year ending December 31, 2020. Early adoption is permitted.

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, 2020. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.