

***Ronald McDonald House Charities  
of Norfolk, Virginia, Inc.***

***Financial Statements  
December 31, 2018 and 2017***

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Financial Statements  
December 31, 2018 and 2017*

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# *W.C. Goldberg & Company, PC*

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*Certified Public Accountants*

## *Independent Auditors' Report*

The Board of Directors  
Ronald McDonald House Charities of Norfolk, Virginia, Inc.  
Norfolk, Virginia

We have audited the accompanying financial statements of *Ronald McDonald House Charities of Norfolk, Virginia, Inc.* (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and net assets, 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 audit. 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 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 assessing the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit involves evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 Norfolk Virginia, 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 conformity with accounting principles generally accepted in the United States of America.

*W. C. Goldberg & Company, PC*

August 12, 2019

Virginia Beach, VA



*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Statements of Financial Position*

*December 31, 2018 and 2017*

	2018	2017
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 105,511	\$ 99,380
Accounts receivable	-	14,000
Short-term investments	199,777	311,302
Total Current Assets	<u>305,288</u>	<u>424,682</u>
Noncurrent Assets		
Property and equipment, net	894,597	806,464
Investments	3,715,597	3,807,729
Total Noncurrent Assets	<u>4,610,194</u>	<u>4,614,193</u>
Total Assets	<u>\$ 4,915,482</u>	<u>\$ 5,038,875</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 19,050	\$ 1,838
Accrued expenses	20,336	-
Payroll taxes payable	4,980	5,987
Total Current Liabilities	<u>44,366</u>	<u>7,825</u>
Net Assets		
Without donor restrictions	4,871,116	5,024,441
With donor restrictions	-	6,609
Total Net Assets	<u>4,871,116</u>	<u>5,031,050</u>
Total Liabilities and Net Assets	<u>\$ 4,915,482</u>	<u>\$ 5,038,875</u>

See Accompanying Notes to Financial Statements

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Statement of Activities and Net Assets  
For the Year Ended December 31, 2018*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and other support</b>			
Contributions	\$ 383,188	\$ -	\$ 383,188
Special Events	88,048	-	88,048
Fundraising	81,114	-	81,114
Registration	14,272	-	14,272
Miscellaneous	458	-	458
Vending machines	(4,549)	-	(4,549)
Net assets released from restriction	6,609	(6,609)	-
Total revenues and other revenue	<u>569,140</u>	<u>(6,609)</u>	<u>562,531</u>
<b>Expenses</b>			
Program expense	548,543	-	548,543
Supporting services			
Management and general services	40,238	-	40,238
Fundraising expense	23,870	-	23,870
Cost of direct benefit to donors	24,662	-	24,662
Total expenses	<u>637,313</u>	<u>-</u>	<u>637,313</u>
<b>Change in net assets from operations</b>	(68,173)	(6,609)	(74,782)
<b>Net investment income</b>	(91,649)		(91,649)
<b>Change in net assets</b>	(159,822)	(6,609)	(166,431)
Net assets, beginning of year	5,024,441	6,609	5,031,050
Reserve for replacements	6,497	-	6,497
Net assets, end of year	<u>\$ 4,871,116</u>	<u>\$ -</u>	<u>\$ 4,871,116</u>

See Accompanying Notes to Financial Statements

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Statement of Activities and Net Assets  
For the Year Ended December 31, 2017*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and other support</b>			
Contributions	\$ 253,988	\$ 15,000	\$ 268,988
Special events	101,460	-	101,460
Fundraising	134,319	-	134,319
Registration	17,108	-	17,108
Miscellaneous	403	-	403
Vending machines	7,781	-	7,781
Net assets released from restriction	8,391	(8,391)	-
Total Revenue and other support	523,450	6,609	530,059
<b>Expenses</b>			
Program expense	491,131	-	491,131
Supporting services			
Management and general services	35,765	-	35,765
Fundraising expense	36,217	-	36,217
Cost of direct benefit to donors	37,167	-	37,167
Unallocated payments - RMHC Global	16,542	-	16,542
Total expenses	616,822	-	616,822
Change in net assets from operations	(93,372)	6,609	(86,763)
Net investment income	794,923	-	794,923
<b>Change in net assets</b>	701,551	6,609	708,160
Net assets, beginning of year	4,305,475	-	4,305,475
Reserve for replacements	17,415	-	17,415
Net assets, end of year	\$ 5,024,441	\$ 6,609	\$ 5,031,050

See Accompanying Notes to Financial Statements

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Statement of Functional Expenses  
For the Year Ended December 31, 2018*

	Program Services	Management & General Services	Fundraising	Cost of Direct Benefit to Donors	2018 Total
Salaries and wages	\$ 184,807	\$ 10,267	\$ 10,267	\$ -	\$ 205,341
Depreciation	47,851	2,518	-	-	50,369
Contract labor	42,170	-	-	-	42,170
Security	46,807	-	-	-	46,807
Insurance	41,665	-	-	-	41,665
Utilities and telephone	27,364	1,439	-	-	28,803
Service contracts	30,398	-	-	-	30,398
Supplies	21,748	-	-	-	21,748
Promotions and gift	17,298	-	-	-	17,298
Accounting and legal	-	21,418	-	-	21,418
Replacements	6,173	324	-	-	6,497
Retirement plan	19,318	1,017	-	-	20,335
Taxes and license	14,444	789	789	-	16,022
Repairs and maintenance	13,984	736	-	-	14,720
Office expense	5,546	616	-	-	6,162
Fundraising	-	-	11,448	24,662	36,110
Conference and education	7,760	-	-	-	7,760
Printing	6,249	-	-	-	6,249
Miscellaneous	1,365	-	-	-	1,365
Travel and entertainment	343	1,114	1,114	-	2,571
Postage	7,413	-	-	-	7,413
Bank charges	2,268	-	252	-	2,520
Dues	847	-	-	-	847
Communications	2,694	-	-	-	2,694
Volunteer appreciation	31	-	-	-	31
Total expenses	\$ 548,543	\$ 40,238	\$ 23,870	\$ 24,662	\$ 637,313

See Accompanying Notes to Financial Statements

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Statement of Functional Expenses*

*For the Year Ended December 31, 2017*

	Program Services	Management & General Services	Fundraising	Cost of Direct Benefit to Donors	2017 Total
Salaries and wages	\$ 159,490	\$ 8,861	\$ 8,860	\$ -	\$ 177,211
Depreciation	50,102	2,637	-	-	52,739
Contract labor	47,490	-	-	-	47,490
Security	40,069	-	-	-	40,069
Insurance	33,160	-	-	-	33,160
Utilities and telephone	26,826	1,411	-	-	28,237
Service contracts	22,679	-	-	-	22,679
Supplies	22,436	-	-	-	22,436
Promotions and gift	18,562	-	-	-	18,562
Accounting and legal	-	18,508	-	-	18,508
Replacements	16,544	871	-	-	17,415
Canister expense	-	-	16,408	-	16,408
Taxes and license	12,553	682	682	-	13,917
Repairs and maintenance	11,893	626	-	-	12,519
Office expense	8,329	925	-	-	9,254
Fundraising	-	-	8,791	37,167	45,958
Conference and education	8,391	-	-	-	8,391
Printing	3,348	-	-	-	3,348
Miscellaneous	3,232	-	-	-	3,232
Travel and entertainment	217	1,244	1,244	-	2,705
Postage	2,491	-	-	-	2,491
Bank charges	2,089	-	232	-	2,321
Dues	775	-	-	-	775
Outside lodging for guests	297	-	-	-	297
Volunteer appreciation	158	-	-	-	158
Total expenses	\$ 491,131	\$ 35,765	\$ 36,217	\$ 37,167	\$ 600,280

See Accompanying Notes to Financial Statements

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Statements of Cash Flows*

*For the Years Ended December 31, 2018 and 2017*

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (166,431)	\$ 708,161
Adjustments to reconcile change in net assets to cash provided in (used) operating activities-		
Depreciation and related reserve	56,865	70,154
Unrealized (gains) losses on investments	279,229	57,158
Realized (gains) losses on investments	-	(701,603)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	14,000	(7,015)
Increase (decrease) in accounts payable	15,861	(11,180)
Increase (decrease) in accrued expenses	20,336	-
Increase (decrease) in payroll taxes payable	(1,007)	5,984
<b>Net cash flows provided (used) by operating activities</b>	<u>218,853</u>	<u>121,659</u>
Cash Flows from Investing Activities		
Purchase of investments and reinvestment of income	(74,220)	(606,305)
Changes in certificates of deposits	-	(127,075)
Sale of investments	-	754,248
Purchase of property and equipment and related reserve	(138,502)	(60,000)
<b>Net cash flows provided (used) by investing activities</b>	<u>(212,722)</u>	<u>(39,132)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	6,131	82,527
Cash and cash equivalents, beginning of year	<u>99,380</u>	<u>16,853</u>
Cash and cash equivalents, end of year	<u>\$ 105,511</u>	<u>\$ 99,380</u>

See Accompanying Notes to Financial Statements



*Notes to Financial Statements*

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**Note 1. Organization and Significant Accounting Policies**

**Nature of activities**

The Ronald McDonald House Charities on Norfolk, Virginia (the Organization), is a nonprofit organization that provides temporary housing and other assistance for critically and seriously ill children and their families during periods when the children are undergoing treatment at Children's Hospital of the King's Daughters, Norfolk, Virginia. The Organization also raises funds to provide grants to other organizations.

**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 restriction and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

**Accounts receivable**

Accounts receivable are written off using the direct write-off method in the year in which the account is determined to be uncollectible. If the allowance method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements.

**Cash and cash equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Use of estimates**

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

**Investments and fair value measurement**

The Organization follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

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*Notes to Financial Statements*

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**Organization and Significant Accounting Policies (continued)**

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical instruments in an active market that the entity has the ability to access. Level 2 inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted market prices for similar or identical assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means; if the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any 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.

**Property and equipment**

Property and equipment are recorded at cost and depreciation is calculated using the Modified Accelerated Cost Recovery System and straight-line methods based over the following useful lives ranging from 5 to 39 years. Additions or betterments of \$500 or more are capitalized, while repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed currently.

**Impairment of long-lived assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended December 31, 2018 and 2017, management determined that no impairment loss needs to be recognized.

**Donated assets, property and equipment and services**

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restriction 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 donated assets are to be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies net assets with donor restriction to net assets without donor restriction. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skill, 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.

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*Notes to Financial Statements*

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**Organization and Significant Accounting Policies (continued)**

**Reserve for replacements**

The Corporation is accumulating funds in the reserve for replacements based on estimates of future needs for repairs and replacements of property. The funding for such repairs and replacements is over the estimated useful lives based on current placement costs. Actual expenditures, however, may vary from the estimated amounts and variations may be material. The funds are temporarily restricted and amounted to \$74,691 and \$68,194 for the years ended December 31, 2018 and 2017.

**Income taxes**

The Corporation is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Corporation's tax-exempt purpose will be subject to taxation as unrelated business income.

The Corporation follows the statutory requirements for its income tax and accounting and generally avoids risks associated with tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Corporation's tax-exempt status would not have a material effect on the financial statements. Generally, the organizations tax returns remain open for federal income tax examination for three years from the date of filing.

**Financial instruments and credit risk**

The carrying amounts approximate fair value based on quoted market prices or discounted cash flows analysis for cash equivalents and other financial instruments. The Corporation is subject to some credit risk through short term cash investments which are placed with high quality financial institutions. The balances in excess of federally insured or other insured limits were \$54,989 and \$160,383 at December 31, 2018 and 2017.

**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 and wages, employee benefits, and payroll taxes which are allocated on the basis of estimated time and effort;; depreciation, utilities, repairs and maintenance, which are based on a square footage allocation; office expense, postage, and travel and entertainment which are estimates of usage.

**Reclassifications**

Certain amounts have been reclassified for the year end December 31, 2017 to conform to the presentation for the year ended December 31, 2018. The reclassifications had no impact on previously reported net assets.

(continued)

*Notes to Financial Statements*

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**Organization and Significant Accounting Policies (concluded)**

**Net assets**

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

*Without Donor Restriction-* Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restriction, net assets from reserve for replacements and board designated endowment.

*With Donor Restriction-* 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.

**Contributions**

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

**Liquidity and reserves**

The Organization has \$305,288 of financial assets available to meet cash needs for general expenditures within on year of the statement of financial position date, which consist of the current assets per the statement of financial position.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on had to meet 60 days of normal operating expenses, which are on average, approximately \$99,246.

**Note 2. Short-Term Investments**

Short term investments consist of certificates of deposits earning interest at rates of 1.49% to 2.23% with varying maturity dates.

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Notes to Financial Statements*

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**Note 3. Endowment Funds**

The Organization's endowment consists of restricted assets of 10,000 shares of Ronald McDonald stock donated in 1993 by Mrs. Kroc and recorded at its fair value.

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 the gift date of the donor-restricted endowment funds. As a result of the interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment (b) the original value of the subsequent gifts to the endowment, and (c) accumulation to the endowment make in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1 The duration and preservation of the fund
- 2 The purpose of the Organization and the donor-restricted endowment fund
- 3 General economic conditions
- 4 The possible effect of inflation and deflation
- 5 The expected total return from income and the appreciation of investments
- 6 Other resources of the Organization
- 7 The investment policies of the Organization

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 513,750	\$ -	\$ 513,750
Investment return, net	25,140	-	25,140
Appropriation of expenditure	(25,140)	-	(25,140)
Endowment net assets, end of year	<u>\$ 513,750</u>	<u>\$ -</u>	<u>\$ 513,750</u>

Changes in endowment net assets and type of fund were as follows for fiscal year end as of December 31, 2017:

	Without Donor Restrictions	Without Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 513,750	\$ -	\$ 513,750
Investment return, net	35,270	-	35,270
Appropriation of expenditure	(35,270)	-	(35,270)
Endowment net assets, end of year	<u>\$ 513,750</u>	<u>\$ -</u>	<u>\$ 513,750</u>

(continued)

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

Notes to Financial Statements

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**Note 3. Endowment Funds (concluded)**

*Return Objectives and Risk Parameters*

The Organization has adopted a investment and spending policies for the endowment assets that attempt to provide stream of funding to the programs supported by the endowments. The endowment assets are in the form of the original stock donated to the organization. The investment return in the form of earning and dividends are unrestricted for use of the Ronald McDonald House operations.

**Note 4. Net Assets Released from Restrictions**

Net assets were released from restrictions by incurring expenses satisfying the restriction purpose or by occurrence of the passage of time or events specified by donor as follows for the year ended December 31:

	2018	2017
RMHC Grant	\$ -	\$ 6,609

**Note 5. Net Assets Without Donor Restrictions**

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

	2018	2017
Board-Designated Reserve	\$ 74,691	\$ 68,194
Board-Designated Endowment	513,750	513,750
	\$ 588,441	\$ 581,944



*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Notes to Financial Statements*

**Note 6. Investments**

Investments are stated at fair value and are summarized as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2018:				
Ronald McDonald Stock	\$ 1,065,420	\$ -	\$ -	\$ 1,065,420
Cash and cash equivalents	198,421	-	-	198,421
Mutual Funds	2,443,925	-	-	2,443,925
Fixed Income	7,831	-	-	7,831
	<u>\$ 3,715,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,715,597</u>
December 31, 2017:				
Ronald McDonald Stock	\$ 1,032,720	\$ -	\$ -	\$ 1,032,720
Cash and cash equivalents	491,383	-	-	491,383
Mutual Funds	2,275,251	-	-	2,275,251
Fixed Income	8,375	-	-	8,375
	<u>\$ 3,807,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807,729</u>

Investment income consists of:

	2018	2017
Interest and dividend income	82,217	77,231
Capital gains	105,363	71,230
Realized and unrealized gains (losses), net	(279,229)	644,445
	<u>\$ (91,649)</u>	<u>\$ 794,923</u>
Gross unrealized holding gains (losses)	<u>\$ 1,072,547</u>	<u>\$ 135,176</u>

**Note 7. Property and Equipment**

Property and equipment consist of:

	2018	2017
Land	\$ 80,461	\$ 80,461
Buildings	1,244,051	1,256,501
Improvements	413,339	413,339
Furniture and fixtures	172,497	66,518
Equipment	74,425	87,481
Parking lot	21,021	21,021
	2,005,794	1,925,321
Accumulated depreciation	(1,111,197)	(1,118,857)
	<u>\$ 894,597</u>	<u>\$ 806,464</u>

Depreciation expense totaled \$50,369 and \$52,739 for the years ending December 31, 2018 and 2017.

*Ronald McDonald House Charities of Norfolk, Virginia, Inc.*

*Notes to Financial Statements*

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**Note 8. Employee Benefit Plans**

In 1993, the organization started a SAR-SEP plan covering substantially all employees. Under the plan, the Organization annually contributes seven percent of employees' gross pay. Plan expenses incurred were \$20,335 and \$-0- for the years ending December 31, 2018 and 2017, respectively.

**Note 9. Donated Good and Services**

The fair value of donated goods and services included as contributions in the financial statements and corresponding expense categories for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Professional fees	\$ 18,168	\$ 15,201
Service Contracts	10,000	10,000
Promotional	5,130	-
Utilities	-	3,241
Supplies	18,270	20,469
	<u>\$ 51,568</u>	<u>\$ 48,911</u>

**Note 10. Subsequent Event**

Management has evaluated subsequent events through August 12, 2019, the date on which the financial statements were available to be issued. No events have occurred since the statement of financial position date that would have a material impact on the financial statements.

**Note 11. Change in Accounting Principle**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, as the new standard changes the following aspects of the Organization's financial statements:

*The unrestricted net asset class has been renamed net assets without donor restriction.*

*The temporary and permanently restricted net assets classes have been combined into a single net asset class call Net Assets with Donor Restrictions.*

*The financial statements include a new disclosure about liquidity and availability of resources (note 1), and disclosure related to functional expenses has been expanded (note 1).*