



CHAMPIONS TROPHY
Case Competition



Case Study: Ronald McDonald House Charities New Zealand

Wednesday 30 January

Case prepared by Vincent Curd under the supervision of Brittany Rea. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publicly available sources and Ronald McDonald House Charities New Zealand. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

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From: Kim Unity

Sent: Wednesday 30 January 2019

To: Ronald McDonald House Charities New Zealand Project Team

CC: Wally Wholesome; Charity Ngo; Norman Fuzzy; Jenny Russ

Subject: Ronald McDonald House Charities Project

Kia Ora team,

We have been approached by Ronald McDonald House Charities® (RMHC®) New Zealand, a Registered Charity providing accommodation and support to families who need to travel to a different city for their child to receive medical treatment.

The organisation's vision is to enable every family whose child is in a hospital away from home to be welcomed and supported by a RMHC New Zealand programme whenever they are in New Zealand.

Since the charity's launch in the US in 1974, the fast-food company McDonald's has been a founding partner. RMHC New Zealand was registered as a charity in New Zealand in 1986. McDonald's New Zealand raises in the region of \$2 million for RMHC New Zealand every year and provides non-financial support such as volunteer hours.

A common misconception is that RMHC New Zealand is an arm of the McDonald's corporation, or that it is completely sponsored by McDonald's. Both are incorrect. RMHC New Zealand is a completely independent charity, and only 25% of its revenue comes from McDonald's New Zealand. Like many charities, RMHC New Zealand relies on support from local communities, generous individuals and other corporate sponsors.

CEO Wayne Howett has asked us to analyse the charity and provide strategic recommendations. We have primarily been asked to consider new revenue streams for the charity, and/or how to boost existing ones. Other issues such as oversubscribed accommodation and public image are worth considering too. Keep in mind that you only have ten minutes to present your recommendations, so be selective in what you address.

RMHC is a global organisation, but the scope of this project is limited to RMHC New Zealand.

Your ten minutes to present to RMHC New Zealand executives will be followed by a ten-minute question-and-answer session. We look forward to your proposals!

Warm wishes,

Kim Unity

Ronald McDonald House Charities Project Leader

Introduction

“Our houses are built on the simple idea that nothing else should matter when a family is focused on the health of their child - not where they can afford to stay, where they will get their next meal or where they will lay their head to rest at night.”

– Wayne Howett, CEO

The charity looking after children in hospital and their families

RMHC New Zealand supports families when their child is at a New Zealand hospital away from home. This is primarily done by providing free, high-quality accommodation to families within walking distance of hospitals, and other important support.

For families, this relieves stresses such as paying for accommodation near the hospital and cooking family meals. This gives families more time to focus on their child's wellbeing.

For the child undergoing treatment, sometimes the best kind of medicine is having family at their side for hugs, kisses and aroha (a Maori word meaning 'love').

Simply put, RMHC New Zealand gives families with a hospitalised child what they need most – each other.

History

RMHC New Zealand is an international organisation founded in the US in 1974. The idea for the charity came from Fred Hill, a professional footballer with a child undergoing leukemia treatment, and Dr Audrey Evans, an oncologist. Both shared a vision of a comfortable residence for families who travelled great distances for their children to receive medical treatment.

Together with the support of Fred Hill's football team and McDonald's, they launched the world's first Ronald McDonald House on 15 October 1974.

Today, more than 365 Ronald McDonald Houses in over 43 regions and countries support families around the world – providing comfort to more than 6 million families.

Ronald McDonald House Charities was established in New Zealand as an independent charity in 1989.

The relationship with McDonald's

McDonald's is RMHC's founding partner, having been with the charity since its launch in 1974. It is also RMHC's largest corporate partner.

- McDonald's New Zealand franchisees and crews raise in the region of \$2 million for RMHC New Zealand each year. This includes direct donations from McDonald's New Zealand, donations from franchise operators and employees, and donations from customers gathered from RMHC New Zealand Donation Boxes and other campaigns found in McDonald's franchises nationwide.
- McDonald's staff also offer vital nonfinancial support, such as organising fundraisers, supporting marketing and advertising campaigns and rallying communities to raise funds.
- RMHC New Zealand is a completely independent charity. It has its own Board and executive staff, and operates separately from McDonald's. Fundraising, support and a shared mission aside, the only noticeable connection between RMHC New Zealand and McDonald's is in the charity's name.
- 25% of the charity's revenue comes from McDonald's New Zealand. The rest comes subsidies from the Ministry of Health (a government department), other long-standing corporate sponsors, individual donations and bequests, and other fundraising activities. RMHC New Zealand depends on many partners - not just McDonald's - to support families when their child is in hospital away from home.

Programmes

RMHC New Zealand runs four programmes:

1. Ronald McDonald House®
2. Ronald McDonald Family Room®
3. Ronald McDonald Care Mobile®
4. Ronald McDonald Family Retreat

Most of RMHC New Zealand's operations concern its Houses.

Programme 1: Ronald McDonald House

Each Ronald McDonald House provides families with free accommodation near hospitals where their child is being treated. The average length of stay is seven days, but many families will stay for weeks or months – and some for years.

- The houses are modern and are in excellent condition.
- Each family has their own bedroom with ensuite, and there are a small number of self-contained apartments available for families with immune-compromised children.
- Dinner is cooked by volunteers around 2-4 times a week, depending on the House. Other times families cook for themselves.
- Volunteers also cook freezer meals for families to prepare as they wish, and bake.
- Kitchens are stocked with basic necessities that come free of charge. Families purchase additional food requirements from nearby supermarkets.
- Cosy lounges and welcoming staff offer a comfortable, home-like environment. This provides families with a welcoming place to return to amidst the stressful world of medical treatment.
- Amenities vary between houses and include: a library, an on-site school for children in Years 1-8, a TV lounge, a gym, a business centre for parents, laundry, outdoor play areas for children, car parks, teenage games rooms and a range of programmes for families to enjoy including art classes, excursions and children's yoga.

According to CEO Wayne Howett, volunteer-cooked meals and welcoming social environments are an essential part of RMHC New Zealand. "Families get a meal they weren't expecting. They've been up in the hospital all day – the last thing they've thought about is what they're going to eat. They come down to the house, and there is a home cooked meal."

"But not only that, they get to spend time with other families. It makes them realise they're not the only family going through this."

How families stay at a house

Eligibility

- Any family with a child 21 years and under (18 years and under for Auckland Houses) undergoing treatment at a local hospital is eligible to stay at a House for the duration of their treatment.
- In Auckland Houses, children must be receiving treatment specifically at the National Children's Hospital.
- There is no discrimination based on the severity of the child's condition. Families who stay have children with a wide range of conditions from cancer to premature babies to children requiring surgery.

Referral

- Families of children are referred to RMHC New Zealand through their doctor, District Health Board (a regional government body responsible for healthcare) or social worker.
- A family's first visit is organised by District Health Boards or other healthcare workers. Subsequent visits are arranged with the house directly.
- Rooms vary in size, and a standard room can accommodate a maximum of four people plus a baby in a cot. Usually, one room is given per family. Families can stay with RMHC New Zealand for the entire duration that their child is receiving treatment at the local hospital.

House locations and rooms

All houses are located within walking distance of their city's main hospital.

They include:

- Two houses in Auckland near the National Children's Hospital
- One house in Wellington directly opposite Wellington Hospital
- One house in Christchurch five minute's walk from Christchurch Hospital

Location	# of rooms
Auckland (3 sites)	97
Wellington	34
Christchurch**	29
Total	160

*In addition to bedrooms at the Houses, there are 13 small bedrooms in the Ronald McDonald Family Room inside the National Children's Hospital.

**This includes four bedrooms in the Ronald McDonald Family Room in the Southland Hospital in Invercargill)



The Christchurch Ronald McDonald House



The Wellington Ronald McDonald House



The Auckland Ronald McDonald House



The Christchurch Ronald McDonald House



The Wellington Ronald McDonald House



Programme 2: Ronald McDonald Family Room

These are special rooms within hospitals dedicated to giving families a place to rest just moments away from their hospitalised child.

- Snacks, tea and coffee are provided throughout the day.
- Depending on the hospital there may be quiet lounge areas, play spaces, small kitchens, bathrooms and nap spaces.
- The Family Rooms in the National Children's Hospital in Auckland and the Southland Hospital in Invercargill also have several short-stay bedrooms for caregivers of critically-ill children. These are for moments when it is vital that caregivers remain just seconds away from their hospitalised child. Beds are allocated in consultation with hospital staff on a greatest-needs basis.
- Three meals are provided a day for families staying in short-stay bedrooms. This ensures they can focus on their child in hospital.

Family room locations

Ronald McDonald Family Rooms are located in:

- Wellington Hospital
- National Children's Hospital in Auckland
- Southland Hospital in Invercargill



The Family Room in the National Children's Hospital (Auckland).



A short-stay bedroom

Programme 3: Ronald McDonald Family Retreat

The Ronald McDonald Family Retreat in Rotorua (a small town 220km south-east of Auckland) provides one week of free holiday accommodation for families who have experienced the impact of a chronic/long term illness or a bereavement in their family.

The Retreat consists of two well appointed, spacious houses on the edge of Lake Rotorua. Each house sleeps up to 8 people.

Each year over 80 families make the most of the Family Retreat, be it for a fun family holiday or to take the time to grieve in a peaceful space on Lake Rotorua.



Scenes from the Ronald McDonald Family Retreat properties at Lake Rotorua.

Programme 4: Care Mobile

The Ronald McDonald Care Mobile brings dental care directly to children near their homes and schools in Northland and South Auckland.



Fundraising and support

RMHC New Zealand’s 2017 income sources are summarised in the chart below:

- **Total funds received:** \$8,683,057
- **Total funds spent:** \$7,986,999
- **Growing our operational reserves:** \$696,058



Travel allowance grants

Families who qualify to stay with RMHC New Zealand are awarded a travel and accommodation allowance through the Ministry of Health. Of those families who stay, RMHC New Zealand can make a claim for that allowance. The New Zealand Government is willing to subsidise charities such as RMHC New Zealand that provide critical social services. This allowance is reasonably secure but should not be taken for granted.

Corporate giving

- **From McDonald’s New Zealand** \$1,705,490
- **From other corporate sponsors** \$618,973

(Source: 2017 audited accounts)

- RMHC New Zealand has long-standing and loyal corporate partnerships. However very little is secure in the current market. For example, one large sponsor has recently had a change in leadership and it is unknown whether they will want to continue with their support for RMHC New Zealand.

- Next to McDonald’s, Premier Partners offer the highest levels of income, with Partners and Supporters providing lower levels of support.
- Some partnerships are mainly cash based, such as Ray White and ASB, and others are mainly based on value of gift-in-kind products, such as Sealy Posturepedic, a mattress manufacturer who supplies beds free of charge.
- Corporate partners also offer nonfinancial assistance to help RMHC New Zealand deliver its services. This can come in the form of volunteer hours such as food and gift drives, preparing meals for families in teams and workplace fundraising. Corporate partners and supporters also hold community based events to raise funds for RMHC New Zealand such as regional corporate golf days and challenge events.

Sponsors

Founding Mission Partner



McDonald's

McDonald's New Zealand has backed RMHC New Zealand since the charity's launch. Each year, McDonald's NZ's franchisees, crew and customers collectively raise about \$2 million for RMHC New Zealand. Nonfinancial support includes the creation of advertising campaigns and sharing stories within their local communities. Franchisees and crew volunteer their time for activities such as organising a fundraising event, collecting for a street appeal or rallying communities to raise funds for a new programme.

Premier Partners



Ray White

Ray White is a real estate agency with a partnership with RMHC New Zealand extending over ten years. Each year, Ray White offices around the country raise over \$100,000 through community fundraising events, an annual street collection and annual subscriptions. Ray White also calls on their local communities every Christmas to collect gifts for families staying with RMHC New Zealand through 'A Little Ray of Giving'. Offices regularly volunteer to cook dinners for families and donate their time to support fundraising events with their auctioneering skills.



ASB

ASB, one of New Zealand's main retail banks, has been a partner for over 11 years. During this time its teams have voluntarily cooked over 20,000 meals for families. ASB has generously supported many of RMHC's building projects, including the ASB Community Room (Wellington) and the ASB Dining Room (Auckland). ASB regularly uses its size and scale to help raise awareness and funds for RMHC New Zealand. For example, supporting RMHC New Zealand as the official charity partner of events such as the NZ Art Show and the ASB Christchurch Marathon. ASB also creates special memories for families staying with RMHC, from organising celebrity visits to a surprise family reunion for a deserving mum on Mother's Day.



Sealy Posturepedic

Getting a good night's sleep at a RMHC House is made possible by Sealy Posturepedic. The mattress manufacturer provides beds for all Houses nationwide. In 2018 Sealy provided over \$140,000 worth of beds. The Sealy team also lend a hand at the various Ronald McDonald House facilities wherever they can, especially by preparing their legendary lunches for families.



La-Z-Boy

La-Z-Boy, a furniture manufacturer, is the official furniture provider for RMHC New Zealand globally. With a brand priding itself on comfort, La-Z-Boy plays a key role in comforting families in their time of need. Furniture donated includes basic tables and chairs, in addition to plush sofas and recliners. La-Z-Boy staff donate their time by delivering and assembling the new furniture with pride, and regularly cook dinner for families.



1-day.co.nz

1-day is a website that aggregates deals from retailers across New Zealand. They have been a proud partner since 2015, providing supplies such as umbrellas, cutlery and clothing for families staying at a Ronald McDonald House and supporting fundraising events by donating prize items. 1-day also organises its own fundraising events such as the annual 1-day.co.nz golf tournament. Customers can also make a donation to RMHC New Zealand via 1-day's website. 1-day's team is especially involved around Christmas, donating over 1,000 gifts each year for families staying at Houses, cooking a festive Christmas feast and even organising a special visit from Santa to hand out the presents.



nib

nib, a health insurance provider, is RMHC New Zealand's newest Premier Partner having joined the RMHC New Zealand family in June 2018. Both nib and RMHC New Zealand are committed to helping families access the medical care they need. Aside from nib's financial support, staff volunteer their time to cook for families as well as providing skills-based volunteering to assist with the Charity's ongoing business development. Exciting new projects and collaborations are underway and will be announced soon.

Fundraisers and events

Each year, individuals and organisations run fundraisers with minimal input from RMHC New Zealand. Common examples include

- Workplace fundraising, such as team building, quiz nights and challenge events
- School fundraising, such as bake sales and mufti-days
- Community group fundraising such as gala dinners and local fairs

The fact that many local community organisations nationwide choose to hold fundraising events for RMHC demonstrates the charity's excellent community engagement and public profile.

RMHC New Zealand also invites individuals and companies to support them through taking part in challenge events such as marathons. In 2019, RMHC New Zealand is introducing its own challenge event, housetohouse.org.nz, inviting people to each run, cycle, swim or walk 210km in March and raise \$210.

RMHC's yearly fundraising calendar also includes several large events that are organised by RMHC itself:

Supper Clubs

RMHC New Zealand annually hosts 8 Supper Clubs around the country at a range of top restaurants and venues. These mystery dining events are a popular corporate entertainment evening. Guests arrive for a cocktail party during which each group discovers which restaurant they'll be dining at that evening.

Red Shoe Ball

2018 saw the 10th anniversary of RMHC New Zealand's annual gala dinner, the Red Shoe Ball. Every year the event delivers beautiful food and wine, stellar entertainment and fabulous company in one of Auckland's top venues.

Other income sources

RMHC New Zealand operates the ASB Community Room and TJ McCarthy Theatre in Wellington which can be hired by local corporate and community groups.



Volunteers and employees

RMHC New Zealand relies on volunteers from local communities to assist with day-to-day operations of its Houses. Volunteers can sign-up as individuals or groups. It is common for schools and companies to volunteer in groups.

Data for RMHC volunteers, weekly

- **Total volunteers:** 200
- **Volunteer hours:** 720

(Source: NZ Charities Register, RMHC 2017)

Individual volunteering

- This includes housekeeping duties (vacuuming shared spaces, making up rooms and assisting in the laundry), maintenance duties (leaf blowing, water blasting and more skilled jobs matched to individual volunteers' skills) and baking.
- Individuals can also lend a hand in administrative support, which includes assisting House Duty Managers in greeting families as they arrive, answering phones, organising donations and manning the reception desk.

Group volunteering

Group volunteer duties include:

Family Dinner Nights

- Family dinners are provided by groups around 2-4 times a week, depending on the house. On these nights, after a long day on the ward, families can relax and enjoy a home cooked meal by volunteers. These are completely free of charge.
- Groups fundraise, plan and cook the meal, as well as providing conversation and a familial atmosphere.
- It is common for corporate sponsors to cook for families. Companies get a team together, spend the afternoon preparing,

do the cooking and serve the families. This is a great bonding experience, not just for the families but also for the organisations that volunteer their time.

Heat and Eat

Teams prepare meals in advance, then freeze them. This lets families enjoy a hearty meal at any time without spending time to prepare it.

Working Bees

Working bees are usually conducted once a week. This involves any tasks around the house that need doing, such as cleaning and organising kitchens, waterblasting playgrounds and outdoor areas, and stripping and making beds.

School Holiday Programmes

Some Houses run a programme where school students and their supervisors provide fun workshops for children and families during holidays.

Employees

RMHC New Zealand also employs a number of full and part-time employees.

- **People employed full-time:** 30
- **People employed part-time:** 35
- **Average paid hours per week:** 2006

(Source: NZ Charities Register, RMHC 2017)



Challenges and future directions

Issue 1: Income sources

With an income of \$8.5 million and assets of \$55 million, there are still significant challenges to being dependent on charitable donations.

- The first is sustainability. Although RMHC New Zealand's corporate support and the Ministry of Health travel allowance are likely to be stable in the short term, nothing can be said with certainty about long term funding.
- The second is a competitive charity market. With one not-for-profit organisation for every 170 people, New Zealand's charity density far exceeds any of Australia, Canada, the UK or the USA. There are 27,166 Registered Charities in New Zealand. Although RMHC New Zealand has excellent prompted name recognition in New Zealand, few people know what the organisation actually does, so making its voice heard in such a crowded sector is not easy.
- The third is growth. With such a crowded marketplace, attracting more donations is difficult. And corporate sponsors may be more inclined to keep steady the amount they donate each year rather than increase it. Non-government funding for the NZ charity sector has risen at 3.8% year-on-year since 2000, marginally above average yearly inflation of 2.7%.

The Growth opportunity

In light of these challenges, it would be helpful to find an income source outside of charitable giving. There is an intersect between corporate / social impact / government that needs to be explored and could provide a solution for RMHC New Zealand.

A promising trend in the global charity sector is self-earned income. This involves charities running some kind of business or partnering with corporate organisations or government and putting its profits towards the cause they support.

Two illustrative examples of organisations earning revenue outside charitable giving are Epilepsy Scotland and Eat My Lunch.

Epilepsy Scotland

The UK charity Epilepsy Scotland needed long-term, sustainable funding. Online shopping was identified as a growth market, and payment systems were recognised as an element of that sector which could deliver ongoing income.

Epilepsy Scotland decided to launch Charity Clear, an online payments portal for ecommerce and charitable donations. Charity Clear functioned like an online payments gateway similar to PayPal, with additional functionality that ensured legal requirements for online charity donations were met. Charity Clear was a business wholly owned by Epilepsy Scotland; 100% of profits went to the charity.

According to Epilepsy Scotland's marketing director, the greatest challenge was to win over fellow trustees who had to approve a 150,000 pound investment with little or no previous knowledge of online payments. "Charity Clear was a bold idea whose operations were nothing to do with epilepsy. The returns, however, would be directed to services and activities to benefit the 54,000 people living with epilepsy in Scotland."

Epilepsy Scotland has not published Charity Clear's financial performance, but did note that it took two years to break even. Charity Clear has since been sold to a large UK online payments provider for a price in the low millions of pounds. A portion of revenue continues to be directed to Epilepsy Scotland.

Eat My Lunch

Eat My Lunch is a New Zealand company that sells lunch deliveries and catering services. Each purchase funds free school lunches provided to children in need. The company operates a 'buy-one-give-one' model: for each meal bought, one free lunch is provided to a school child.

Most of Eat My Lunch's initial funds were raised through two rounds of crowd funding. This involved offering 'social bonds' on PledgeMe, a crowd funding platform. Investors were offered a 12 per cent interest rate. Six percent is returned in a cash dividend and 6 percent goes toward buying lunches for children. Shareholders include Foodstuffs, a large supermarket co-operative, a celebrity chef, and ordinary members of the public.

According to Eat My Lunch, many investors "don't really expect to make a return" but want to be part of the social impact. Twenty-four percent of subscribers elected to put all their interest payments into paying for lunches.

Eat My Lunch is yet to make a profit or pay a dividend as of late 2018, but is on track to approach break-even in 2019.

The opportunity for RMHC New Zealand

Earning income in addition to traditional fundraising has been identified by RMHC New Zealand's leadership team as a possible future strategy. The idea has not been explored in any great detail, and the leadership team is open to hearing a wide range of ideas.

Points to consider include:

- Ideally any programme run by RMHC New Zealand would align with the charity's core value of providing care for families, or be something inspired by family. This is not an essential requirement, however. RMHC New Zealand's executives are open to hearing a broad variety of suggestions.
- RMHC New Zealand has considered earning rental income from leasing out some of its property as office or retail space. The Wellington House currently has one tenanted space (to an obstetric company) but the organisation has not yet developed this opportunity further.

Issue 2: Oversubscribed Houses

There are not enough beds in the Auckland facilities to meet demand. RMHC New Zealand planned its facilities based on what information was available at the time, but demand for paediatric care in Auckland has changed rapidly since then.

- The National Children's Hospital in Auckland has more childcare specialists than any hospital in New Zealand, so demand for Auckland Houses is highest.
- RMHC New Zealand never turns away a family. If a house is full (which happens during peak times in Auckland), RMHC New Zealand will pay for a room or apartment in a hotel near the hospital for the family to stay at.

- In 2018 RMHC has paid for 200 room nights in apartments and hotels close to its Houses at an average cost of \$160 per room. This is not a sustainable long-term solution.

There are currently 97 rooms in Auckland across the city's three houses. RMHC New Zealand forecasts that it will need 120 rooms (i.e. an extra 23) in Auckland to meet demand.

Construction and expansion

- In 2016 and 2017 projects were undertaken to add extra rooms to one of the Houses in Auckland. The total cost of these expansions were \$514,640 and \$34,625 respectively.
- Costs vary, but RMHC New Zealand forecasts that it needs \$80,000 to build a brand-new family bedroom with ensuite.
- Further expansions to the current Houses in Auckland have been considered. One complication is that families staying in the Houses will need to be moved off-site while construction takes place. This is disruptive for families because they will be living further away from the National Children's Hospital. RMHC New Zealand would also have to bear the cost of leasing temporary accommodation.
- Building, buying or leasing new Houses is another option. However, they must remain close to their city's main hospital. Land around these hospitals is expensive. This is particularly problematic in Auckland, where property prices are among the highest in the world relative to local incomes.
- Commercial property near Auckland hospital costs approximately \$500-\$800 per square metre per year to lease, and approximately \$4,000 - \$7,000 per square metre to buy.
- RMHC New Zealand's newest House in Auckland cost \$4.5 million to buy and \$2.5 million to refurbish. This House had 18 family rooms and a manager's unit when it was bought and refurbished in 2011; the number of rooms has since increased with the 2016 and 2017 expansions.

A long-term aspiration: All Auckland rooms under one roof

RMHC New Zealand's leadership is considering putting all rooms in Auckland within one big house, as opposed to the three Auckland houses that currently exist.

- This would consolidate operations and make service efficient and consistent.
- The combined facility would need at least 120 rooms and be within walking distance of the National Children's hospital.
- This is a long-term consideration. RMHC New Zealand is unlikely to be able to achieve this in the short-term.
- Building the combined facility on one of the current building sites in Auckland is an option, but this would require temporarily removing families from the House while construction takes place.
- RMHC New Zealand is considering partnering with another organisation to provide all 120 rooms. This could be another charity, or a business such as a property developer.

Expanding nationwide

- In the short-term RMHC New Zealand is focused on expanding services offered by in-hospital Family Rooms, such as more capacity to accommodate overnight stays. It also involves building more houses, particularly in Auckland.
- In the long-term, RMHC New Zealand aims to have a presence at every major hospital - called 'tertiary hospitals' - in New Zealand. In pursuit of this, the next cities to expand to are Hamilton, Dunedin and Whangarei.

Property ownership

- One of the Auckland Houses (the Auckland Domain House) is completely leased. The contract for the lease on this site permits RMHC New Zealand to occupy it for another 20 years.
- The Ronald McDonald Houses in Christchurch and Wellington are owned by RMHC New Zealand.
- The Ronald McDonald Family Rooms are leased.

Issue 3: Public Image and brand awareness

- RMHC New Zealand has excellent prompted name recognition. 94% of New Zealanders surveyed have heard of the charity. But few understand what the charity actually does. When asked whether they knew about a charity that provides accommodation for families of sick children in hospitals, only 9% of respondents replied yes. The fact that people do not know what the charity does creates a barrier to donating.
- The charity is also confused with other charities related to children's healthcare, such as the Starship (National) Children's Hospital, Heart Kids, CanTeen and CureKids
- Some people view the charity's association with McDonald's cynically. Typical negative sentiments include "I'm sure they do great work but I'm not comfortable with my donations ultimately being a marketing tool for a large international corporation," or "McDonald's is a destructive company and the good that RMHC New Zealand does should not compensate for that."
- These opinions probably result from unawareness about what RMHC New Zealand does and not understanding that RMHC New Zealand is independent from McDonald's. Many may even be under the misconception that RMHC New Zealand is an arm of the McDonald's corporation and that the charity does not need donations because McDonald's can completely fund it.
- In some cases the perceived association with McDonald's has caused government health agencies to block cooperation between hospitals and RMHC New Zealand. In 2017 the Counties Manukau District Health Board (responsible for healthcare in South Auckland) and the Southern District Health Board (responsible for healthcare in the southern South Island) denounced RMHC New Zealand in the media. Unwillingness to associate healthcare with a fast food company was cited as a reason.
- Opposition from within District Health Boards tends to come from a small minority of vocal staff. RMHC New Zealand generally has good relationships with District Health Board staff nationwide. Many in the Auckland District Health Board have no qualms at all. Most of RMHC New Zealand's critics seem to be public health officials sitting on the District Health Boards, as opposed to the doctors who see first-hand the benefit of RMHC New Zealand's services.
- RMHC New Zealand's also has a number of supporters amidst the general public. An online petition urging the Otago District Health Board to support a RMHC New Zealand facility in Dunedin Hospital attracted over 9,500 signatures.

Issue 4: Volunteer retention and management

- RMHC New Zealand relies heavily on volunteers to run its Houses. It has become harder to retain volunteers over time. Mothers, for instance, used to volunteer often at the house. These days more and more mothers work full-time and are unable to volunteer.
- Organising volunteers has also become an administrative burden. RMHC New Zealand has only two employees in charge of coordinating volunteers across Auckland, and just one in Wellington. Greater use of information technology to organise volunteer scheduling has been introduced recently but is not yet being used to its maximum capability.



A note regarding appendices

The 'Key Results in 2017' page in the appendices lists 130 rooms in total. RMHC New Zealand actually has 160 rooms nationwide (see the earlier section of this case titled "Programme 1: Ronald McDonald House" for a table listing room counts by city). This is because RMHC New Zealand is actually split into two entities for management purposes. One entity manages the Auckland and Wellington Houses, the other manages the Christchurch House. These appendices are only for the Auckland-and-Wellington entity.

Aside from this inconsistency regarding the total number of rooms, please treat the rest of the appendices as if they covered the entire RMHC New Zealand organisation.

Appendix contents

1. Key Results in 2017
2. Family Statistics 2017
3. Financial Summary 2017
4. Financial Statements 2017
 - a. Statement of Financial Performance (Income/Expenditure)
 - b. Movements in Equity
 - c. Statement of Financial Position (Balance Sheet)
 - d. Statement of Cashflows
 - e. Additional notes and category breakdowns

Appendix 1: Key results in 2017



Our **130** rooms hosted **2,981** families



We provided **34,008** nights of accommodation



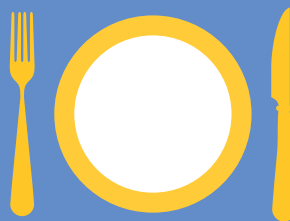
The longest stay was **331** nights



4,343 volunteers worked **43,909** hours in our Houses



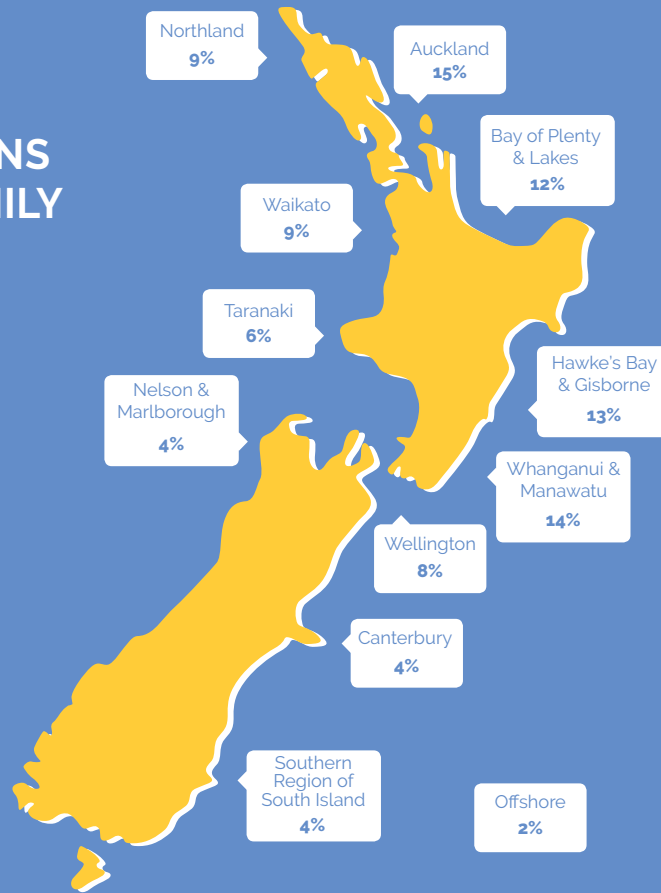
\$8.5 million saved in accommodation, meal and parking costs for families



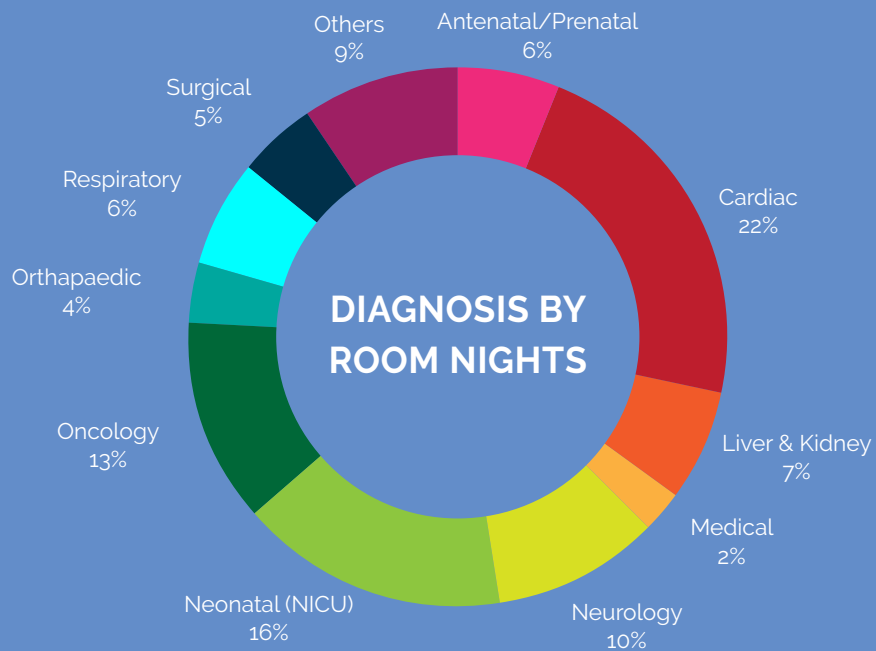
Volunteers served **29,640** plates of hot food to families

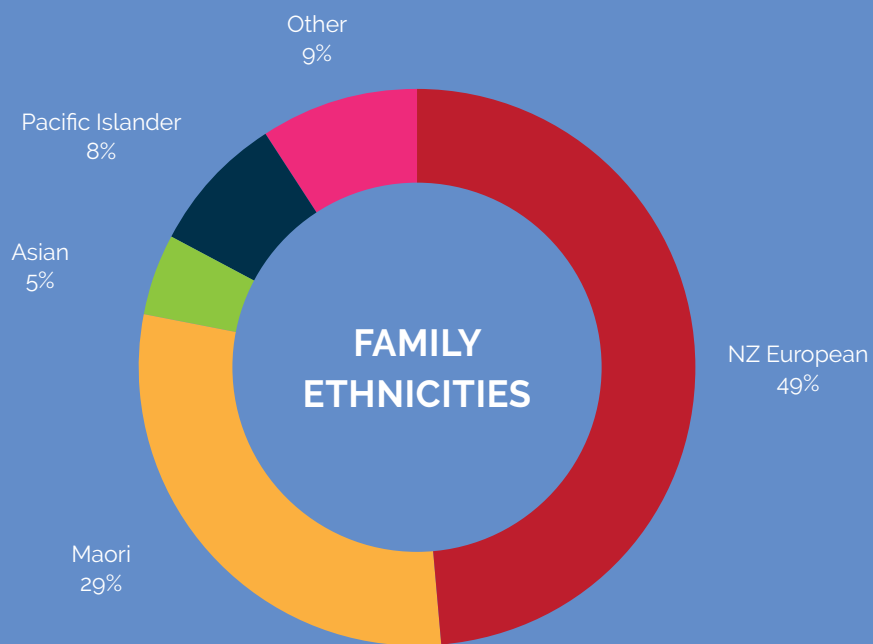
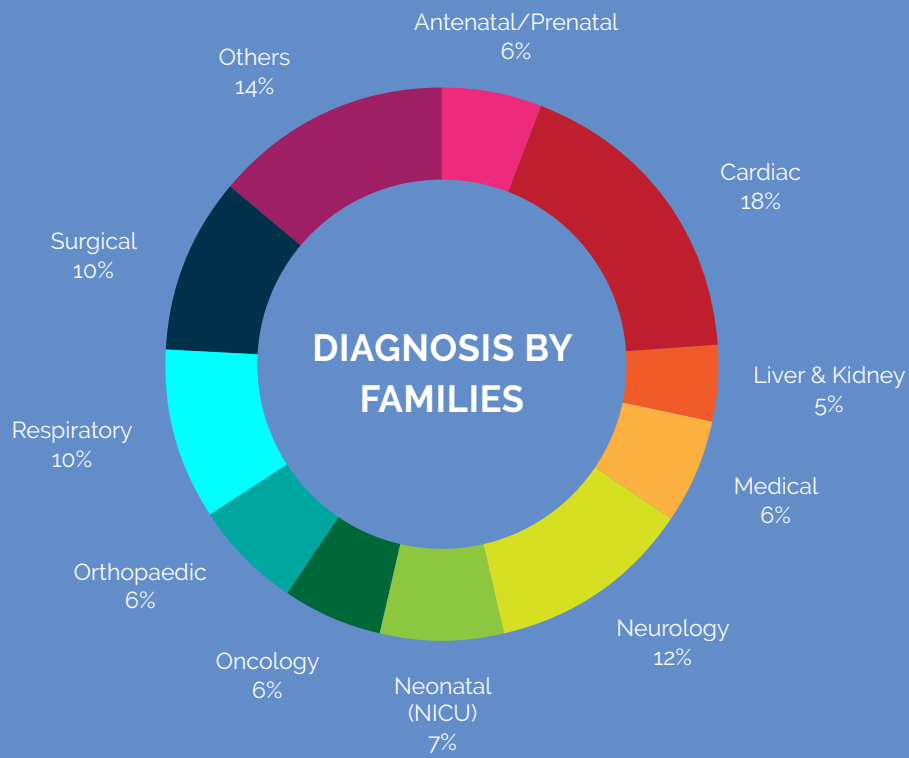
Appendix 2: Family statistics 2017

REGIONS BY FAMILY



DIAGNOSIS BY ROOM NIGHTS



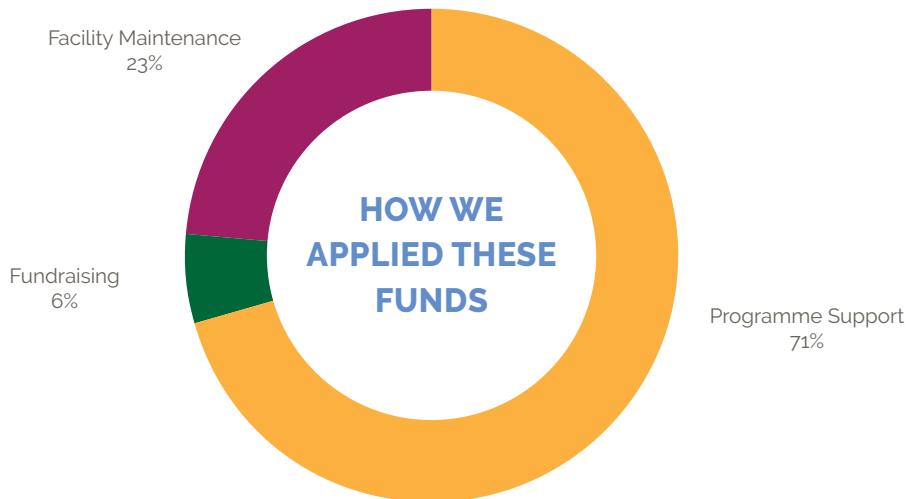
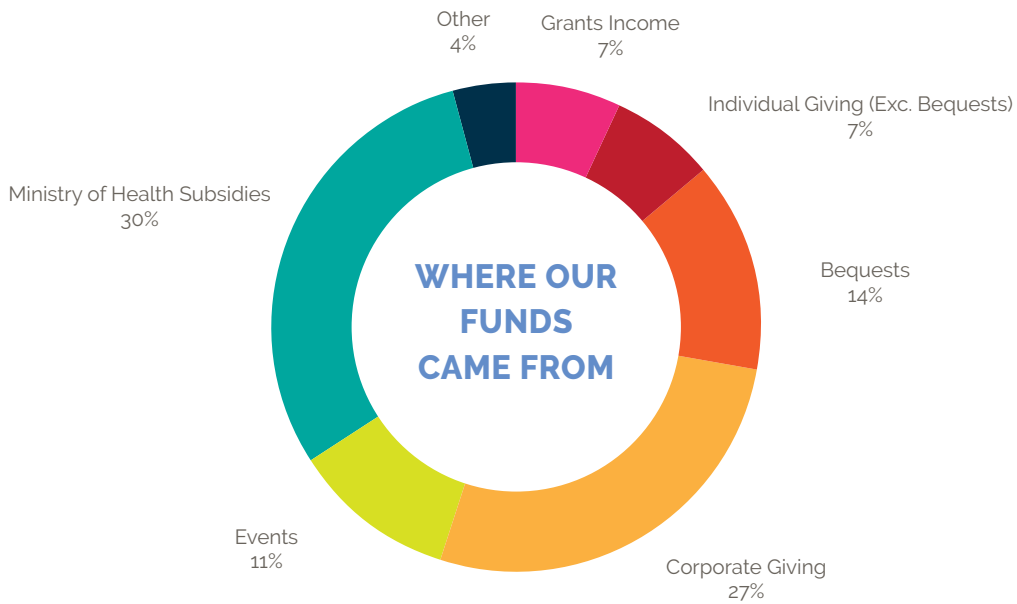


Numbers identified are for Ronald McDonald House Auckland and Wellington only. This differs from the national statistics which includes Ronald McDonald House South Island.



Appendix 3: Financial summary 2017

Total funds received:	\$8,683,057
Total funds spent:	\$7,986,999
Growing our operational reserves:	\$696,058



For a full set of audited accounts please visit the Charities Register (charities.govt.nz)

Appendix 4a: Statement of Financial Performance

Statement of Financial Performance For the year ended 31 December 2017		Notes	2017	2016
			\$	\$
Operating revenue				
Bed Tariffs			2,596,341	2,600,917
TOTAL OPERATING REVENUE			<u>2,596,341</u>	<u>2,600,917</u>
Operating expenses				
Audit Fees (In Kind)	3		(20,000)	(20,000)
Expenses (In Kind)			(979,056)	(882,003)
Operational Expenses	4		(5,638,474)	(5,452,467)
TOTAL OPERATING EXPENSES			<u>(6,637,530)</u>	<u>(6,354,470)</u>
OPERATING SURPLUS / (DEFICIT)			<u>(4,041,189)</u>	<u>(3,753,553)</u>
Fundraising and donor income and expenses:				
Grants	5		448,228	493,312
Fundraising Income	6		5,099,490	4,055,724
Goods and Services In Kind			999,056	902,003
			6,546,774	5,451,039
Grant Expenses			(4,349)	(33,714)
Fundraising and Donor Expenses			(457,350)	(495,337)
Total Fundraising and Donor Surplus			<u>6,085,075</u>	<u>4,921,988</u>
NET SURPLUS BEFORE DEPRECIATION, INTEREST AND CAPITAL FUNDS			<u>2,043,886</u>	<u>1,168,435</u>
Interest Income			175,588	123,601
Other Income			999	-
Depreciation	8		(1,884,976)	(1,945,173)
Gain / (Loss) on Disposal of Fixed Assets			(1,851)	2,951
NET SURPLUS / (DEFICIT) BEFORE CAPITAL FUNDS			<u>333,646</u>	<u>650,546</u>
Capital Fundraising				
Capital Receipts	7		211,563	708,841
Interest Received			-	25
Capital Expenses			-	(25,590)
Net Capital Fundraising			<u>211,563</u>	<u>683,276</u>
Net Receipt From Founding Trusts			150,849	-
NET SURPLUS / (DEFICIT)			<u>696,058</u>	<u>32,730</u>

Appendix 4b: Movements in equity

Statement of Movements in Equity For the year ended 31 December 2017	2017	2016
	\$	\$
Accumulated trust capital as of 1 January	53,544,203	53,511,473
Net surplus and total comprehensive revenue and expense for the year	696,058	32,730
Accumulated trust capital as of 31 December	54,240,261	53,544,203
Represented by		
General reserves	54,240,261	53,544,203
	54,240,261	53,544,203

Appendix 4c: Statement of financial position

Statement of Financial Position As at 31 December 2017	Notes	2017	2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		7,864,922	6,191,136
Accounts receivable from Exchange transactions		129,162	138,249
Accounts receivable from non exchange		157,753	169,699
GST Refund		17,111	12,405
Prepayments		87,774	64,567
Inventory		-	39,412
Accrued Income		224,002	259,012
		8,480,724	6,874,480
NON CURRENT ASSETS			
Property, plant and equipment	8	46,627,354	47,462,212
TOTAL ASSETS		55,108,078	54,336,692
CURRENT LIABILITIES			
Accounts payable under exchange transactions		274,877	299,406
Accruals		428,663	368,137
Deferred revenue		164,277	124,946
TOTAL CURRENT LIABILITIES		867,817	792,489
TOTAL LIABILITIES		867,817	792,489
ACCUMULATED TRUST CAPITAL			
General reserves		54,240,261	53,544,203
TOTAL ACCUMULATED TRUST CAPITAL		54,240,261	53,544,203
TOTAL FUNDS EMPLOYED		55,108,078	54,336,692

Appendix 4d: Statement of Cashflows

Statement of Cashflows As at 31 December 2017	2017	2016
	\$	\$
Operating Activities		
Net Surplus / (Deficit)	696,058	32,730
Add / Deduct Non-Cash movements		
Depreciation	1,884,976	1,945,173
(Gain) / Loss on Disposal of Fixed Assets	1,851	(2,591)
Expenses (In-Kind)	999,056	902,003
Goods and Services In Kind	(999,056)	(902,003)
Add / Deduct movements in working capital items		
Accounts Receivable from Exchange Transactions	9,087	45,452
Accounts Receivable from Non Exchange Transactions	11,946	(92,092)
GST Refund	(4,706)	78,382
Prepayments	(23,206)	12,409
Inventory	39,413	46,294
Accrued Income	35,011	(141,188)
Accounts Payable under Exchange Transactions	(24,529)	(287,490)
Accruals	60,524	(18,151)
Deferred Revenue	39,331	4,970
Net Cashflows from Operating Activities	2,725,756	1,561,898
Investing Activities		
Proceeds from the Sale and Property, Plant & Equipment	4,252	4,356
Purchase of Property, Plant & Equipment	(1,056,222)	(1,351,110)
Net Cashflows from (used in) Investing Activities	(1,051,970)	(1,346,754)
Net Increase in Case and Cash Equivalents	1,673,786	215,144
Cash and Cash Equivalents at 1 January	6,191,136	5,975,992
Cash and Cash Equivalents at 31 December	7,864,922	6,191,136

Appendix 4e: Additional notes and category breakdowns

Notes to the Financial Statements for the year ended 31 December 2017

3. Audit Fees

The Ernst & Young audit was performed on an in kind basis.

Audit fees - Ernst & Young

	2017	2016
	\$	\$
	20,000	20,000
	20,000	20,000

4. Operational Expenses

Facility Operating Costs

People Costs

Other Costs

	2017	2016
	\$	\$
	1,119,573	984,148
	3,826,874	3,725,153
	692,027	743,166
	5,638,474	5,452,467

5. Grants

Grants income comprises:

Ronald McDonald House Charities

Community Trust of Mid and South Canterbury

Eastern and Central Community Trust

Foundation North

Thomas George Mccarthy Trust

Otago Community Trust

Bay Trust

Anonymous / Other

	2017	2016
	\$	\$
	56,352	117,104
	3,333	-
	4,167	-
	25,000	50,000
	12,806	15,000
	-	11,496
	36,250	-
	310,320	299,712
	448,228	493,312

6. Fundraising Income

Corporate Partnerships

Events

Individual Giving

Mission Partner

	2017	2016
	\$	\$
	618,973	459,600
	933,516	814,098
	1,841,511	1,168,189
	1,705,490	1,613,837
	5,099,490	4,055,724

7. Capital Receipts Grants

Otago Community Trust

Anonymous / Other

Total Capital Funds

	2017	2016
	\$	\$
	11,496	-
	200,067	708,841
	211,563	708,841

8. Property, Plant and Equipment

	2016	2016	2016	2017	2017	2017
	\$	\$	\$	\$	\$	\$
	Cost	Accumulated Deprication	Book value	Cost	Accumulated Deprication	Book value
Land	5,162,285	-	5,162,285	5,162,285	-	5,162,285
Buildings	21,720,670	494,104	21,226,566	21,862,624	928,766	20,933,858
Fit Out	2,279,193	106,109	2,173,084	2,709,090	235,995	2,473,095
Furniture	1,008,508	115,795	893,199	1,165,132	238,217	926,915
Motor Vehicle	2,746	668	2,078	2,193	987	1,206
Mobile Dental Units	538,392	134,598	403,480	538,392	242,276	296,116
Leasehold assets	18,289,570	1,301,652	16,987,918	18,513,070	2,302,866	16,210,204
Equipment	507,665	66,043	441,450	688,754	152,509	536,245
Work in Progress	172,152	-	172,152	87,430	-	87,430
	49,681,181	2,218,969	47,462,212	50,728,970	4,101,616	46,627,354

A reconciliation of Net Book Values is as follows:

	2017	Net book value as at 1 January	Additions / (Transfers)	Depreciation charges	Disposals	Net book value as at 31 December
Land		5,162,285	-	-	-	5,162,285
Buildings		21,226,566	141,954	434,662	-	20,933,858
Fit Out		2,173,084	429,897	129,886	-	2,473,095
Furniture		893,199	160,935	123,272	3,461	927,401
Motor Vehicle		2,078	-	540	332	1,206
Mobile Dental Units		403,480	-	107,678	-	295,802
Leasehold assets		16,987,918	223,500	1,001,214	-	16,210,204
Equipment		441,450	184,658	87,724	2,311	536,073
Work in Progress		172,152	(84,722)	-	-	87,430
		47,462,212	1,056,222	1,884,976	6,104	46,627,354

9. Leases

Pursuant to the Lease agreement with the Auckland District Health Board dated 10 January 1992, the RMHC NZ Trust holds a lease for the Auckland Domain site. The Auckland Domain site has 20 years to run on its right to occupy.

Pursuant to the Lease agreement with the Auckland District Health Board dated 1st January 2014, the RMHC NZ Trust holds a 5 year lease for the Family Room at Starship Hospital.

Pursuant to the Lease agreement with the Immunology Specialists Limited dated 1st July 2016, the RMHC NZ Trust holds a 6 year lease for the Level 1, 97 Grafton Road.

10. Capital Commitments and Contingent Liabilities

In 2016 the RMHC NZ Trust undertook a \$514,640 project to refit and extend the facilities at 52-54 Grafton Mews. The outstanding Capital Commitments relating to this project was \$103,764 (2016: \$418,406).

In 2017 the RMHC NZ Trust undertook a \$61,540 project to renovate and convert the library into accommodation at 52-54 Grafton Mews. The outstanding Capital Commitments relating to this project was \$34,625 (2016: \$Nil).

There are no Contingent Liabilities (2016: nil).

11. Operating Lease Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017	2016
	\$	\$
Not later than one year	98,398	88,771
Later than one year and not later than five years	404,953	428,253
Later than five years	-	75,098
	<u>503,351</u>	<u>592,122</u>

The lease at 97 Grafton Road runs for a period of 6 years from 1 September 2016, with no right of renewal.

12. Related Party Disclosures

Key Management Personnel

The total remuneration of key management personnel and number of individuals, on a full-time equivalent (FTE) basis, receiving remuneration from the RMHC NZ Trust is:

	2017	2016
	\$	\$
Senior Management Team (2017 FTE 4; 2016 FTE 4)	<u>579,815</u>	<u>583,308</u>

13. Subsequent Events

There are no subsequent events to the year end 31 December 2017.

The Rigby Family's Journey



Rigby family from Timaru

Whilst some families are with RMHC New Zealand for many months, or sometimes years, families who stay a shorter length of time are equally appreciative of the accommodation and endless support provided.

The Rigby family from Timaru were visiting Wellington when their son Melakai* had an asthma attack at 12 years old. He was taken to Wellington Hospital where his condition worsened. Melakai finally got his breath back with medication but needed to stay in hospital for a few nights for monitoring.

Melakai's family, who were due to fly home the night he was taken to hospital, worried about paying for additional accommodation. They even considered dad Kiha taking their two younger children, Kawa (6) and Ellie (4), home while mum Nikki stayed with Melakai.

When hospital staff told the family they could stay at Ronald McDonald House just across the road from the hospital,

they had peace in knowing they could rest in the homely environment close to Melakai. "It was great that we could all stay at the House because it meant I had the support of my family as well," says Nikki.

“ It's an awesome place for the families who have loved ones in hospital. Anyone who has a chance to stay there while going through a journey like this is very lucky. ”

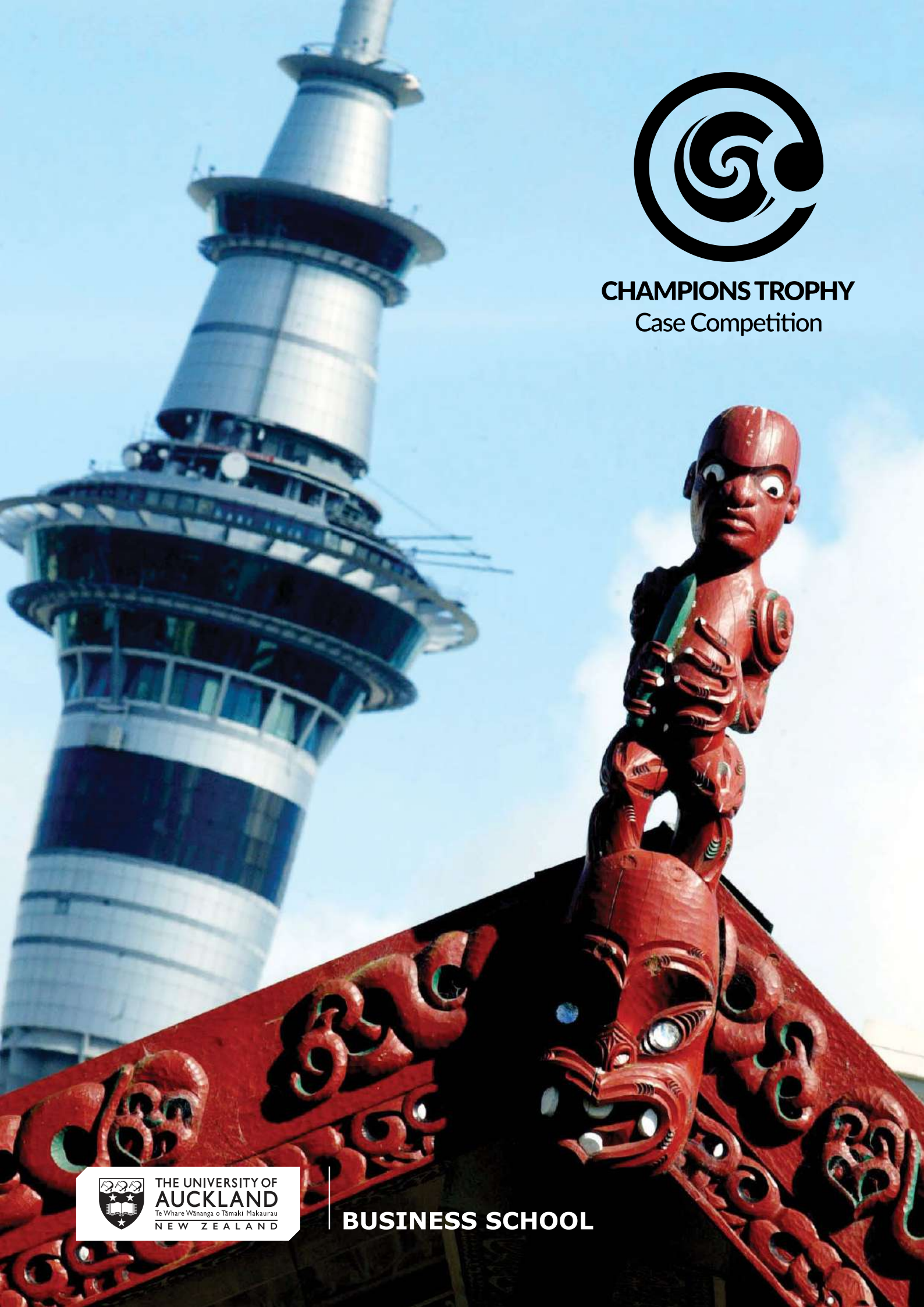
Now back in Timaru, Melakai continues to take daily medication for his asthma and is doing really well.

Nikki and Kiha have been paying it forward by telling friends and family about the support they received.

**This photo was taken in the Family Room while Melakai was on the ward recovering*



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