

***Ronald McDonald
House Charities of
Central Pennsylvania***

December 31, 2015 and 2014

Financial Statements and Independent Auditors' Report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ronald McDonald House Charities
of Central Pennsylvania

We have audited the accompanying financial statements of Ronald McDonald House Charities of Central Pennsylvania, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Central Pennsylvania as of December 31, 2015 and 2014, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Concannon, Miller + Co., P.C.

Bethlehem, PA
April 27, 2016

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 882,652	\$ 1,238,092
Contributions receivable	34,776	38,482
Due from RMHC - Global	5,413	11,625
Investments, at fair value	3,973,505	3,247,463
Prepaid expenses	13,756	12,640
Total Current Assets	4,910,102	4,548,302
PROPERTY, FURNITURE AND EQUIPMENT, NET	4,330,079	4,471,436
Total Assets	\$ 9,240,181	\$ 9,019,738
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 21,234	\$ 16,451
Due to RMHC - Global	8,206	9,555
Accrued expenses	37,237	45,230
Total Liabilities	66,677	71,236
NET ASSETS		
Unrestricted	7,988,394	7,727,467
Board designated for endowment	82,273	80,376
Board designated for capital and capital improvements	272,575	272,575
Total Unrestricted	8,343,242	8,080,418
Temporarily restricted for capital expenditures and operations	252,417	306,737
Permanently restricted for operating expense endowments	577,845	561,347
Total Net Assets	9,173,504	8,948,502
Total Liabilities and Net Assets	\$ 9,240,181	\$ 9,019,738

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 1,047,921	\$ 5,000	\$ 16,498	\$ 1,069,419	\$ 909,268
Fund-raising events, net of direct expenses of \$187,991 and \$246,125, respectively	320,471			320,471	338,621
Guest donations	12,158			12,158	19,997
Donated goods and services	369,120			369,120	389,889
Interest and dividend income	116,163	34,786		150,949	127,187
Loss on disposal of fixed assets	(4,282)			(4,282)	(23,951)
Realized gain on investments	210	63		273	3,527
Unrealized loss on investments	(43,323)	(12,941)		(56,264)	(44,451)
	<u>1,818,438</u>	<u>26,908</u>	<u>16,498</u>	<u>1,861,844</u>	<u>1,720,087</u>
Net assets released from restrictions	81,228	(81,228)		0	0
Total Revenues, Gains and Other Support	<u>1,899,666</u>	<u>(54,320)</u>	<u>16,498</u>	<u>1,861,844</u>	<u>1,720,087</u>
EXPENSES					
Program services - House and Family Rooms	1,094,325			1,094,325	1,188,614
Program services - Grants	131,155			131,155	114,460
Management and general	148,525			148,525	236,331
Fund-raising	223,816			223,816	164,925
Unallocated payments to RMHC-Global	39,021			39,021	37,144
Total Expenses	<u>1,636,842</u>	<u>0</u>	<u>0</u>	<u>1,636,842</u>	<u>1,741,474</u>
CHANGE IN NET ASSETS	262,824	(54,320)	16,498	225,002	(21,387)
NET ASSETS, JANUARY 1	<u>8,080,418</u>	<u>306,737</u>	<u>561,347</u>	<u>8,948,502</u>	<u>8,969,889</u>
NET ASSETS, DECEMBER 31	<u>\$ 8,343,242</u>	<u>\$ 252,417</u>	<u>\$ 577,845</u>	<u>\$ 9,173,504</u>	<u>\$ 8,948,502</u>

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 854,757	\$ 24,075	\$ 30,436	\$ 909,268
Fund-raising events, net of direct expenses of \$246,125	338,621			338,621
Guest donations	19,997			19,997
Donated goods and services	389,889			389,889
Interest and dividend income	84,162	43,025		127,187
Loss on disposal of fixed assets	(23,951)			(23,951)
Realized gain on investments	2,179	1,348		3,527
Unrealized loss on investments	(27,645)	(16,806)		(44,451)
	<u>1,638,009</u>	<u>51,642</u>	<u>30,436</u>	<u>1,720,087</u>
Net assets released from restrictions	<u>56,950</u>	<u>(56,950)</u>		<u>0</u>
Total Revenues, Gains and Other Support	<u>1,694,959</u>	<u>(5,308)</u>	<u>30,436</u>	<u>1,720,087</u>
EXPENSES				
Program services - House and Family Rooms	1,188,614			1,188,614
Program services - Grants	114,460			114,460
Management and general	236,331			236,331
Fund-raising	164,925			164,925
Unallocated payments to RMHC-Global	37,144			37,144
Total Expenses	<u>1,741,474</u>	<u>0</u>	<u>0</u>	<u>1,741,474</u>
CHANGE IN NET ASSETS	(46,515)	(5,308)	30,436	(21,387)
NET ASSETS, JANUARY 1	<u>8,126,933</u>	<u>312,045</u>	<u>530,911</u>	<u>8,969,889</u>
NET ASSETS, DECEMBER 31	<u>\$ 8,080,418</u>	<u>\$ 306,737</u>	<u>\$ 561,347</u>	<u>\$ 8,948,502</u>

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>	
	<u>House and Family Rooms</u>	<u>Grants</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>2015</u>	<u>2014</u>
Salaries	\$ 322,362	\$ 14,303	\$ 61,062	\$ 152,380	\$ 550,107	\$ 605,864
Payroll taxes	27,760	1,232	5,259	13,123	47,374	52,039
Employee benefits	27,747	1,500	5,599	15,149	49,995	50,081
House supplies	13,056				13,056	17,312
Family room supplies	5,957				5,957	5,906
Laundry	7,000				7,000	7,000
Insurance	13,077		6,441		19,518	21,819
Cleaning	1,920		60	20	2,000	1,000
Utilities	46,820		1,463	488	48,771	60,662
Maintenance and repairs	102,104		3,191	1,063	106,358	42,758
Contract services	12,438		389	130	12,957	17,112
Dues and subscriptions	471		188	282	941	2,245
General and administrative	6,207		6,207		12,414	29,414
Grants		113,501			113,501	70,451
Travel	839		140	420	1,399	1,471
Meetings and seminars	7,829		1,320	283	9,432	7,903
Office supplies	1,993	41	1,017	1,017	4,068	5,201
Donated materials	280,189		31,132		311,321	339,089
Telephone	6,131	78	1,164	388	7,761	6,466
Postage	2,833	500	2,499	10,831	16,663	30,399
Marketing	892		74	892	1,858	6,921
Professional fees			15,126		15,126	12,950
Volunteer recognition	8,490				8,490	19,443
Depreciation	198,210		6,194	2,065	206,469	264,517
Canister collection				25,285	25,285	26,307
	<u>\$ 1,094,325</u>	<u>\$ 131,155</u>	<u>\$ 148,525</u>	<u>\$ 223,816</u>	<u>\$ 1,597,821</u>	<u>\$ 1,704,330</u>

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>House and Family Rooms</u>	<u>Grants</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Salaries	\$ 351,401	\$ 36,352	\$ 127,231	\$ 90,880	\$ 605,864
Payroll taxes	30,183	3,122	10,928	7,806	52,039
Employee benefits	27,544	3,506	9,015	10,016	50,081
House supplies	17,312				17,312
Family room supplies	5,906				5,906
Laundry	7,000				7,000
Insurance	14,619		7,200		21,819
Cleaning	960		30	10	1,000
Utilities	58,235		1,820	607	60,662
Maintenance and repairs	41,048		1,283	427	42,758
Contract services	16,428		513	171	17,112
Dues and subscriptions	1,122		449	674	2,245
General and administrative	14,707		14,707		29,414
Grants		70,451			70,451
Travel	883		147	441	1,471
Meetings and seminars	6,560		1,106	237	7,903
Office supplies	2,549	52	1,300	1,300	5,201
Donated materials	305,180		33,909		339,089
Telephone	5,108	65	970	323	6,466
Postage	5,168	912	4,560	19,759	30,399
Marketing	3,322		277	3,322	6,921
Professional fees			12,950		12,950
Volunteer recognition	19,443				19,443
Depreciation	253,936		7,936	2,645	264,517
Canister collection				26,307	26,307
	<u>\$ 1,188,614</u>	<u>\$ 114,460</u>	<u>\$ 236,331</u>	<u>\$ 164,925</u>	<u>\$ 1,704,330</u>

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF CASH FLOWS

	Years Ended	
	December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 225,002	\$ (21,387)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	206,469	264,517
Permanently restricted contributions	(16,498)	(30,436)
Realized gain on investments	(273)	(3,527)
Unrealized loss on investments	56,264	44,451
Donated property and equipment	(22,500)	(18,810)
Loss on disposal of assets	4,282	23,951
Changes in assets and liabilities		
Contributions receivable	3,706	83,188
Due from RMHC - Global	6,212	38,930
Capital campaign receivable	0	20,000
Prepaid expenses	(1,116)	613
Accounts payable	4,783	(1,263)
Due to RMHC - Global	(1,349)	(120)
Accrued expenses	(7,993)	6,223
Deferred revenue	0	(10,000)
Net Cash Provided by Operating Activities	<u>456,989</u>	<u>396,330</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, furniture and equipment	(46,894)	(70,803)
Proceeds from sale of investments	778,456	783,498
Purchases of investments	(1,560,489)	(956,235)
Net Cash Used in Investing Activities	<u>(828,927)</u>	<u>(243,540)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of permanently restricted contributions	<u>16,498</u>	<u>30,436</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(355,440)	183,226
CASH AND EQUIVALENTS, JANUARY 1	<u>1,238,092</u>	<u>1,054,866</u>
CASH AND EQUIVALENTS, DECEMBER 31	<u><u>\$ 882,652</u></u>	<u><u>\$ 1,238,092</u></u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY

NON CASH OPERATING ACTIVITIES		
In-kind contribution of property	\$ 22,500	\$ 18,810
In-kind contribution of goods and services	346,620	371,079
	<u>\$ 369,120</u>	<u>\$ 389,889</u>
 In-kind contribution for fund-raising activities	 <u>\$ 98,968</u>	 <u>\$ 122,159</u>

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 Nature and Purpose of the Organization

Ronald McDonald House Charities of Central Pennsylvania (the “Organization”) is a nonprofit organization, which provides temporary lodging, accommodations and other assistance to pediatric patients and their families during treatment at the Penn State Milton S. Hershey Medical Center, and raises funds to support local and national charities benefiting children. The Organization's main sources of revenue include local and national fund-raisers sponsored by McDonald's, contributions from businesses, foundations, individuals and service organizations, and fund-raising events.

NOTE 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Organization are prepared on the accrual basis of accounting, in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the actions of the Board of Directors.

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Directors or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - subject to donor-imposed stipulations that are to be maintained permanently. Generally, donors permit the income earned on the related investments to be used for general or specific purposes.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include cash and money market funds.

Concentration of Credit Risk

The Organization may be subject to credit risk on its cash and cash equivalent assets, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) coverage is \$250,000 for all accounts. From time to time, the Organization may have amounts on deposit in excess of the FDIC limits. Cash balances exceeded the levels of deposit insurance by approximately \$300,000 at December 31, 2015.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015 AND 2014

NOTE 2 Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Contributions receivable primarily represent amounts expected to be received from donors. The Organization uses the allowance method to determine uncollectible contributions. Any allowance would be based on management's analysis of specific balances and recent collection history. In the opinion of management, all of the contributions receivable are considered to be realizable at the amount stated in the accompanying statements of financial position and no allowance for uncollectible accounts was considered necessary at December 31, 2015 and 2014.

Valuation of Investments in Securities at Fair Value

The Organization complies with the provisions of FASB ASC 820, *Fair Value Measurements*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Property, Furniture and Equipment

Donations of property, furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015 AND 2014

NOTE 2 Summary of Significant Accounting Policies (Continued)

Property, Furniture and Equipment (Continued)

Property, furniture and equipment are carried at cost, less accumulated depreciation. Maintenance and repairs which neither materially add to the value of property nor appreciably prolong its life are charged to expense. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Related gains or losses from such transactions are credited or charged to income.

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair value.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years.

Revenue Recognition

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Items and Services

Numerous volunteers have donated significant amounts of time to the Organization. The value of these contributed services is not reported in the financial statements since the criteria for recognition has not been met.

In-kind contributions meeting the requirements for recognition in the financial statements are recorded as income at their fair market value at the date of receipt. A substantial portion of the in-kind contributions are for the operation of the Ronald McDonald House. These items are reported as revenue and expense and total \$346,620 and \$371,079 for the years ended December 31, 2015 and 2014, respectively. Significant additional goods and services were donated for the comfort of the House and Family Room guests. However, these amounts have not been recorded in the financial statements since the criteria for recognition have not been met.

The Organization receives in-kind contributions related to their fund-raising events. These items are reported as fund-raising event revenue and expense and total \$98,968 and \$122,159 for the years ended December 31, 2015 and 2014, respectively.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015 AND 2014

NOTE 2 **Summary of Significant Accounting Policies (Continued)**

Contributed Items and Services (Continued)

Donated assets are recorded at fair market value on the date of donation. The Organization received donated equipment valued at \$22,500 and \$18,810 during the years ended December 31, 2015 and 2014, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

No provision for income taxes has been made in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. However, income from activities not directly related to the Organization's tax-exempt purpose, if any, would be subject to taxation as unrelated business income.

The Organization complies with the guidance for uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities.

As of December 31, 2015 and 2014, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's tax years 2012 and forward remain open for examination by federal and state taxing authorities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 **Investments**

The Organization's investments are recorded at fair value and have been categorized based upon a fair value hierarchy in accordance with FASB ASC 820 (see Note 2). All investments held at December 31, 2015 and 2014 are summarized as follows:

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015 AND 2014

NOTE 3 Investments (Continued)

Investments at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
<i>Unrestricted:</i>				
Mutual funds - Bonds	\$ 960,111	\$ 0	\$ 0	\$ 960,111
Mutual funds - Equities	2,245,702			2,245,702
	3,205,813	0	0	3,205,813
<i>Temporarily restricted:</i>				
Mutual funds - Equities	211,520			211,520
<i>Permanently restricted:</i>				
Equity securities	556,172			556,172
	\$ 3,973,505	\$ 0	\$ 0	\$ 3,973,505

Investments at Fair Value as of December 31, 2014				
	Level 1	Level 2	Level 3	Total
<i>Unrestricted:</i>				
Mutual funds - Bonds	\$ 769,828	\$ 0	\$ 0	\$ 769,828
Mutual funds - Equities	1,726,676			1,726,676
	2,496,504	0	0	2,496,504
<i>Temporarily restricted:</i>				
Mutual funds - Equities	189,612			189,612
<i>Permanently restricted:</i>				
Equity securities	548,571			548,571
Mutual funds - Equities	12,776			12,776
	561,347	0	0	561,347
	\$ 3,247,463	\$ 0	\$ 0	\$ 3,247,463

Generally, for all equities and mutual funds, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015 AND 2014

NOTE 3 Investments (Continued)

The composition of investment income on the Organization's investment portfolio is as follows:

	December 31,	
	2015	2014
Interest and dividend income	\$ 150,949	\$ 127,187
Realized/unrealized loss, net	(55,991)	(40,924)
	\$ 94,958	\$ 86,263

NOTE 4 Property, Furniture and Equipment

	December 31,	
	2015	2014
Land	\$ 305,891	\$ 305,891
Building and improvements	5,768,619	5,744,008
Furniture and fixtures	491,575	483,252
Equipment	190,762	191,093
Family room furniture	33,055	33,055
	6,789,902	6,757,299
Less accumulated depreciation	2,459,823	2,285,863
	\$ 4,330,079	\$ 4,471,436

Depreciation expense for the years ended December 31, 2015 and 2014 was \$206,469 and \$264,517, respectively.

NOTE 5 Endowments

The Organization received a contribution of 10,000 shares of McDonald's Corporation stock in 1993. The contribution was recorded at \$506,250, the fair market value at the date of acquisition. In accordance with the donor's restriction, which requires the principal to be held in perpetuity for the benefit of the Ronald McDonald House, the original value of the stock is reported as permanently restricted net assets. Interest, dividends, gains and losses are restricted for House operating expenses and therefore, reported as temporarily restricted net assets until appropriated.

In addition, the Organization's Board of Directors established a separate endowment fund during the year ended December 31, 2013. All contributions provided by donors which have been solicited for the endowment shall be held in perpetuity. The Board has also elected to classify certain unrestricted funds as endowment funds which will be board designated in perpetuity. The Board will be responsible for distributing any investment income produced by the endowment fund while maintaining the original principal balance of contributions to the endowment fund.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015 AND 2014

NOTE 5 Endowments (Continued)

Endowment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Trustees, which govern both of the Organization's endowments. The primary objective of these policies is to produce a total return which will permit maximum support for the general operating fund of the Organization to the extent that it is consistent with (a) prudent management of investments, (b) preservation of principal and (c) potential for long-term asset growth.

Spending Policy

On an at least annual basis, the Finance Committee of the Board shall recommend to the Board an amount to be transferred from the income and/or gain of the endowment funds to the general operating fund of the Organization. No such distribution of income and/or gain shall decrease the total market value of the endowment fund below 110% of the original contributions balance. At the same time, an amount no greater than 6% of the total market value of the endowment fund may be distributed in a given calendar year.

Following are the changes in the endowment net assets for the years ended December 31, 2015 and 2014:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at December 31, 2013	\$ 75,661	\$ 162,045	\$ 530,911	\$ 768,617
Contributions			30,436	30,436
Investment income				
Interest & dividends	4,715	43,025		47,740
Unrealized loss		(16,806)		(16,806)
Realized gain		1,348		1,348
Total investment income	<u>4,715</u>	<u>27,567</u>	<u>0</u>	<u>32,282</u>
Endowment net assets at December 31, 2014	<u>\$ 80,376</u>	<u>\$ 189,612</u>	<u>\$ 561,347</u>	<u>\$ 831,335</u>
Contributions			16,498	16,498
Investment income				
Interest & dividends	3,017	34,786		37,803
Unrealized loss	(1,125)	(12,941)		(14,066)
Realized gain	5	63		68
Total investment income	<u>1,897</u>	<u>21,908</u>	<u>0</u>	<u>23,805</u>
Endowment net assets at December 31, 2015	<u>\$ 82,273</u>	<u>\$ 211,520</u>	<u>\$ 577,845</u>	<u>\$ 871,638</u>

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015 AND 2014

NOTE 6 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2015	2014
Capital expenditures	\$ 40,897	\$ 117,125
House operating expenses	211,520	189,612
	\$ 252,417	\$ 306,737

NOTE 7 Transactions with Related Entities

The Organization remits to Ronald McDonald House Charities, Inc. (RMHC Global) 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2015 and 2014, the Organization received \$117,845 and \$67,444, respectively, from these revenue streams.

During the years ended December 31, 2015 and 2014, the Organization's expense to RMHC-Global was \$39,021 and \$37,144, respectively. At December 31, 2015 and 2014, the Organization had \$5,413 and \$11,625, respectively, due from RMHC-Global and \$8,206 and \$9,555, respectively, due to RMHC-Global.

NOTE 8 Retirement Plan

The Organization has a SIMPLE IRA plan available to employees who have received at least \$5,000 in compensation during any calendar year preceding the current calendar year. Under the provisions of the plan, a participating employee may elect a salary reduction up to the maximum amount allowable by law. The Organization matches the employee contribution up to a maximum of 3% of the employee's compensation. Employer contributions to the plan were \$13,364 and \$14,148 for the years ended December 31, 2015 and 2014, respectively.

NOTE 9 Reclassification

Certain amounts in the 2014 financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the prior year change in net assets.

NOTE 10 Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 27, 2016, the date the financial statements were available to be issued. No events or transactions have occurred that would require recognition or disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Ronald McDonald House Charities
of Central Pennsylvania

We have audited the financial statements of Ronald McDonald House Charities of Central Pennsylvania, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and have issued our report thereon dated April 27, 2016, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Grants Paid are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Concannon, Miller + Co., P.C.

Bethlehem, PA
April 27, 2016

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
SCHEDULES OF GRANTS PAID

	Years Ended	
	December 31,	
	2015	2014
Aaron's Acres	\$ 7,502	\$ 4,838
American Red Cross, Hanover-Adams Chapter		2,038
ARC of York County, Inc.	10,000	5,000
Big Brothers Big Sisters of York and Adams Counties	500	
Boys & Girls Club of Lancaster, Inc.	2,000	2,500
Brethren Housing Association		2,500
Byrnes Health Education Center	15,000	
Caitlin's Smiles, Inc.		650
Clinic for Special Children	10,000	
Community Check-Up Center of South Harrisburg, Inc.		5,500
Crispus Attucks Association, Inc.		1,131
DreamWrights Youth & Family Theatre		625
Fulton Opera House Foundation - Fulton Theatre	5,000	5,000
Gaudenzia, Inc.	10,000	
Girls on the Run Capital Area		6,500
Girl Scouts in the Heart of Pennsylvania	2,530	
Healthy Steps Diaper Bank		1,500
Junior Achievement of Central Pennsylvania, Inc.	1,571	
Junior Achievement of South Central PA, Inc.	2,500	1,250
Lancaster General Hospital	11,198	11,200
Leg Up Farm Inc.		4,375
M. Elvin Byler Memorial Sertoma Club		5,000
Milagro House		2,819
New Life for Girls		1,500
Olivia's House		525
Power Packs Project		6,000
The Salvation Army Harrisburg Capital City Region	10,000	
Samaritan Counseling Center	25,700	
Total Grants Paid	<u>\$ 113,501</u>	<u>\$ 70,451</u>