

*Ronald McDonald
House Charities of
Central Pennsylvania*

December 31, 2014 and 2013

Financial Statements and Independent Auditors' Report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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
September 16, 2015

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,238,092	\$ 1,054,866
Contributions receivable	38,482	121,670
Due from RMHC - Global	11,625	50,555
Capital campaign receivable	0	20,000
Investments, at fair value	3,247,463	3,115,650
Prepaid expenses	12,640	13,253
Total Current Assets	4,548,302	4,375,994
 PROPERTY, FURNITURE AND EQUIPMENT, NET	 4,471,436	 4,670,291
 Total Assets	 \$ 9,019,738	 \$ 9,046,285
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 16,451	\$ 17,714
Due to RMHC - Global	9,555	9,675
Accrued expenses	45,230	39,007
Deferred revenue	0	10,000
Total Liabilities	71,236	76,396
 NET ASSETS		
Unrestricted	7,727,467	7,779,585
Board designated for endowment	80,376	75,661
Board designated for capital and capital improvements	272,575	271,687
Total Unrestricted	8,080,418	8,126,933
Temporarily restricted for capital expenditures and operations	306,737	312,045
Permanently restricted for operating expense endowments	561,347	530,911
Total Net Assets	8,948,502	8,969,889
Total Liabilities and Net Assets	\$ 9,019,738	\$ 9,046,285

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
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2014</u>	<u>2013</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 854,757	\$ 24,075	\$ 30,436	\$ 909,268	\$ 1,166,515
Fund-raising events, net of direct expenses of \$246,125 and \$183,194, respectively	338,621			338,621	303,084
Guest donations	19,997			19,997	16,215
Donated goods and services	389,889			389,889	295,860
Interest and dividend income	84,162	43,025		127,187	72,992
Loss on disposal of fixed assets	(23,951)			(23,951)	(1,614)
Realized gain on investments	2,179	1,348		3,527	96,565
Unrealized (loss) gain on investments	(27,645)	(16,806)		(44,451)	305,357
	<u>1,638,009</u>	<u>51,642</u>	<u>30,436</u>	<u>1,720,087</u>	<u>2,254,974</u>
Net assets released from restrictions	56,950	(56,950)		0	0
Total Revenues, Gains and Other Support	<u>1,694,959</u>	<u>(5,308)</u>	<u>30,436</u>	<u>1,720,087</u>	<u>2,254,974</u>
EXPENSES					
Program services - House and Family Rooms	1,188,614			1,188,614	1,057,853
Program services - Grants	140,767			140,767	112,269
Management and general	236,331			236,331	239,491
Fund-raising	138,618			138,618	125,148
Unallocated payments to RMHC-Global	37,144			37,144	39,070
Total Expenses	<u>1,741,474</u>	<u>0</u>	<u>0</u>	<u>1,741,474</u>	<u>1,573,831</u>
CHANGE IN NET ASSETS	(46,515)	(5,308)	30,436	(21,387)	681,143
NET ASSETS, JANUARY 1	<u>8,126,933</u>	<u>312,045</u>	<u>530,911</u>	<u>8,969,889</u>	<u>8,288,746</u>
NET ASSETS, DECEMBER 31	<u>\$ 8,080,418</u>	<u>\$ 306,737</u>	<u>\$ 561,347</u>	<u>\$ 8,948,502</u>	<u>\$ 8,969,889</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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 1,041,854	\$ 100,000	\$ 24,661	\$ 1,166,515
Fund-raising events, net of direct expenses of \$183,194	303,084			303,084
Guest donations	16,215			16,215
Donated goods and services	295,860			295,860
Interest and dividend income	72,992			72,992
Loss on disposal of fixed assets	(1,614)			(1,614)
Realized gain on investments	65,793	30,772		96,565
Unrealized gain on investments	174,084	131,273		305,357
	<u>1,968,268</u>	<u>262,045</u>	<u>24,661</u>	<u>2,254,974</u>
Net assets released from restrictions	462,934	(462,934)		0
Total Revenues, Gains and Other Support	<u>2,431,202</u>	<u>(200,889)</u>	<u>24,661</u>	<u>2,254,974</u>
EXPENSES				
Program services - House and Family Rooms	1,057,853			1,057,853
Program services - Grants	112,269			112,269
Management and general	239,491			239,491
Fund-raising	125,148			125,148
Unallocated payments to RMHC-Global	39,070			39,070
Total Expenses	<u>1,573,831</u>	<u>0</u>	<u>0</u>	<u>1,573,831</u>
CHANGE IN NET ASSETS	857,371	(200,889)	24,661	681,143
NET ASSETS, JANUARY 1	<u>7,269,562</u>	<u>512,934</u>	<u>506,250</u>	<u>8,288,746</u>
NET ASSETS, DECEMBER 31	<u>\$ 8,126,933</u>	<u>\$ 312,045</u>	<u>\$ 530,911</u>	<u>\$ 8,969,889</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
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

	House and Family Rooms	Grants	Management and General	Fund- raising	Total	
					2014	2013
Salaries	\$ 351,401	\$ 36,352	\$ 127,231	\$ 90,880	\$ 605,864	\$ 554,195
Payroll taxes	30,183	3,122	10,928	7,806	52,039	46,130
Employee benefits	27,544	3,506	9,015	10,016	50,081	45,123
House supplies	17,312				17,312	15,346
Family room supplies	5,906				5,906	5,673
Laundry	7,000				7,000	7,661
Insurance	14,619		7,200		21,819	17,644
Cleaning	960		30	10	1,000	1,000
Utilities	58,235		1,820	607	60,662	46,452
Maintenance and repairs	41,048		1,283	427	42,758	60,677
Contract services	16,428		513	171	17,112	15,722
Dues and subscriptions	1,122		449	674	2,245	1,733
General and administrative	14,707		14,707		29,414	26,874
Grants		70,451			70,451	45,665
Travel	883		147	441	1,471	1,587
Meetings and seminars	6,560		1,106	237	7,903	7,248
Office supplies	2,549	52	1,300	1,300	5,201	4,763
Donated materials	305,180		33,909		339,089	254,028
Telephone	5,108	65	970	323	6,466	7,050
Postage	5,168	912	4,560	19,759	30,399	24,723
Marketing	3,322		277	3,322	6,921	7,090
Professional fees			12,950		12,950	39,290
Volunteer recognition	19,443				19,443	11,890
Depreciation	253,936		7,936	2,645	264,517	260,634
Canister collection		26,307			26,307	26,564
	<u>\$ 1,188,614</u>	<u>\$ 140,767</u>	<u>\$ 236,331</u>	<u>\$ 138,618</u>	<u>\$ 1,704,330</u>	<u>\$ 1,534,762</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, 2013

	House and Family Rooms	Grants	Management and General	Fund- raising	Total
Salaries	\$ 321,433	\$ 33,252	\$ 116,381	\$ 83,129	\$ 554,195
Payroll taxes	26,756	2,768	9,687	6,919	46,130
Employee benefits	24,817	3,159	8,122	9,025	45,123
House supplies	15,346				15,346
Family room supplies	5,673				5,673
Laundry	7,661				7,661
Insurance	11,821		5,823		17,644
Cleaning	960		30	10	1,000
Utilities	44,594		1,393	465	46,452
Maintenance and repairs	58,250		1,820	607	60,677
Contract services	15,093		472	157	15,722
Dues and subscriptions	866		347	520	1,733
General and administrative	13,437		13,437		26,874
Grants		45,665			45,665
Travel	952		159	476	1,587
Meetings and seminars	6,016		1,015	217	7,248
Office supplies	2,333	48	1,191	1,191	4,763
Donated materials	226,572		27,456		254,028
Telephone	5,568	71	1,058	353	7,050
Postage	4,203	742	3,708	16,070	24,723
Marketing	3,403		284	3,403	7,090
Professional fees			39,289		39,289
Volunteer recognition	11,890				11,890
Depreciation	250,209		7,819	2,606	260,634
Canister collection		26,564			26,564
	<u>\$ 1,057,853</u>	<u>\$ 112,269</u>	<u>\$ 239,491</u>	<u>\$ 125,148</u>	<u>\$ 1,534,761</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,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (21,387)	\$ 681,143
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	264,517	260,634
Realized gain on investments	(3,527)	(96,565)
Unrealized loss (gain) on investments	44,451	(305,357)
Loss on disposal of assets	23,951	1,614
Changes in assets and liabilities		
Contributions receivable	83,188	(69,908)
Due from RMHC - National	38,930	20,538
Capital campaign receivable	20,000	4,946
Prepaid expenses	613	(2,316)
Accounts payable	(1,263)	1,006
Due to RMHC - National	(120)	2,111
Accrued expenses	6,223	10,924
Deferred revenue	(10,000)	10,000
Net Cash Provided by Operating Activities	<u>445,576</u>	<u>518,770</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, furniture and equipment	(89,613)	(58,616)
Proceeds from sale of investments	783,498	465,464
Purchases of investments	(956,235)	(914,472)
Net Cash Used in Investing Activities	<u>(262,350)</u>	<u>(507,624)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	183,226	11,146
CASH AND EQUIVALENTS, JANUARY 1	<u>1,054,866</u>	<u>1,043,720</u>
CASH AND EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,238,092</u></u>	<u><u>\$ 1,054,866</u></u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY

NON CASH OPERATING ACTIVITIES		
In-kind contribution of property	\$ 18,810	\$ 21,300
In-kind contribution of goods and services	371,079	274,560
	<u>\$ 389,889</u>	<u>\$ 295,860</u>
 In-kind contribution for fund-raising activities	 \$ 122,159	 \$ 91,459

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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, 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 \$243,000 at December 31, 2014.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 AND 2013

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.

Capital Campaign Receivable

Capital campaign receivables are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the resulting discount is recognized in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises. The allowance is based on prior year's experience and management's analysis of specific promises made. At December 31, 2014, no allowance for uncollectible accounts was considered necessary.

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:

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 AND 2013

NOTE 2 Summary of Significant Accounting Policies (Continued)

Valuation of Investments in Securities at Fair Value (Continued)

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.

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.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 AND 2013

NOTE 2 Summary of Significant Accounting Policies (Continued)

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 \$371,079 and \$274,560 for the years ended December 31, 2014 and 2013, 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 \$122,159 and \$91,459 for the years ended December 31, 2014 and 2013, respectively.

Donated assets are recorded at fair market value on the date of donation. The Organization received donated equipment valued at \$18,810 and \$21,300 during the years ended December 31, 2014 and 2013, 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, 2014 and 2013, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's tax years 2011 and forward remain open for examination by federal and state taxing authorities.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 AND 2013

NOTE 2 Summary of Significant Accounting Policies (Continued)

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, 2014 and 2013 are summarized as follows:

Investments at Fair Value as of December 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Unrestricted:</i>				
Mutual funds - Bonds	\$ 769,828	\$ 0	\$ 0	\$ 769,828
Mutual funds - Equities	1,726,676			1,726,676
	<u>2,496,504</u>	<u>0</u>	<u>0</u>	<u>2,496,504</u>
<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
	<u>561,347</u>	<u>0</u>	<u>0</u>	<u>561,347</u>
	<u>\$ 3,247,463</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,247,463</u>

Investments at Fair Value as of December 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Unrestricted:</i>				
Mutual funds - Bonds	\$ 736,354	\$ 0	\$ 0	\$ 736,354
Mutual funds - Equities	1,697,750			1,697,750
	<u>2,434,104</u>	<u>0</u>	<u>0</u>	<u>2,434,104</u>
<i>Temporarily restricted:</i>				
Equity securities	5,730			5,730
Mutual funds - Equities	156,315			156,315
	<u>162,045</u>	<u>0</u>	<u>0</u>	<u>162,045</u>
<i>Permanently restricted:</i>				
Equity securities	519,501			519,501
	<u>\$ 3,115,650</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,115,650</u>

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 AND 2013

NOTE 3 Investments (Continued)

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.

NOTE 4 Property, Furniture and Equipment

	December 31,	
	2014	2013
Land	\$ 305,891	\$ 305,891
Building and improvements	5,744,008	5,711,999
Furniture and fixtures	483,252	528,789
Equipment	191,093	196,623
Family room furniture	33,055	42,688
Construction in progress	0	10,614
	6,757,299	6,796,604
Less accumulated depreciation	2,285,863	2,126,313
	\$ 4,471,436	\$ 4,670,291

Depreciation expense for the years ended December 31, 2014 and 2013 was \$264,517 and \$260,634, 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.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 AND 2013

NOTE 5 Endowments (Continued)

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.

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, 2014 and 2013:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at December 31, 2012	\$ 0	\$ 452,934	\$ 506,250	\$ 959,184
Contributions	<u>64,000</u>		<u>24,661</u>	<u>88,661</u>
Investment income				
Interest & dividends	4,116	39,341		43,456
Unrealized gain	6,113	131,273		137,386
Realized gain	<u>1,433</u>	<u>30,772</u>		<u>32,205</u>
Total investment income	<u>11,661</u>	<u>201,386</u>	<u>0</u>	<u>213,047</u>
Appropriations		<u>(492,275)</u>		<u>(492,275)</u>
Endowment net assets at December 31, 2013	<u>\$ 75,661</u>	<u>\$ 162,045</u>	<u>\$ 30,911</u>	<u>\$ 768,617</u>

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 AND 2013

NOTE 5 Endowments (Continued)

	<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	4,715	27,567	0	32,282
Endowment net assets at December 31, 2014	<u>\$ 80,376</u>	<u>\$ 189,612</u>	<u>\$ 561,347</u>	<u>\$ 831,335</u>

NOTE 6 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Capital expenditures	\$117,125	\$150,000
House operating expenses	189,612	162,045
	<u>\$306,737</u>	<u>\$312,045</u>

NOTE 7 Commitments

As part of a national affiliation agreement, the Organization is obligated to remit 25% of certain monetary contributions received, net of normal and customary fund-raising expenses, to the global Ronald McDonald House Charities organization (RMHC-Global). RMHC-Global may, upon notice to the Organization, change the remittance percentage.

During the years ended December 31, 2014 and 2013, the Organization's expense to RMHC-Global was \$37,144 and \$39,070, respectively. At December 31, 2014 and 2013, the Organization had \$11,625 and \$50,555, respectively, due from RMHC-Global and \$9,555 and \$9,675, respectively, due to RMHC-Global.

Grant expense for the years ended December 31, 2014 and 2013, was \$70,451 and \$45,665, respectively. Based on the Organization's affiliation with RMHC-Global, these grants are matched dollar for dollar by RMHC-Global based on recommendations provided by the Organization's Grant Committee.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 AND 2013

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 \$14,148 and \$11,760 for the years ended December 31, 2014 and 2013, respectively.

NOTE 9 Reclassification

Certain amounts in the 2013 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 September 16, 2015, 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, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and have issued our report thereon dated September 16, 2015, 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 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
September 16, 2015

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
SCHEDULES OF GRANTS PAID

	Years Ended	
	December 31,	
	2014	2013
Aaron's Acres	\$ 4,838	\$ 4,025
American Red Cross, Hanover-Adams Chapter	2,038	
ARC of York County, Inc.	5,000	5,000
Arthritis Foundation, Central PA		1,000
Brethren Housing Association	2,500	
Boys & Girls Club of Lancaster, Inc.	2,500	
Caitlin's Smiles, Inc.	650	
Community Check-Up Center of South Harrisburg, Inc.	5,500	3,000
Crispus Attucks Association, Inc.	1,131	
DreamWrights Youth & Family Theatre	625	
Fulton Opera House Foundation - Fulton Theatre	5,000	2,500
Girls on the Run Capital Area	6,500	
Healthy Steps Diaper Bank	1,500	
Junior Achievement of South Central PA, Inc.	1,250	1,250
Lancaster General Hospital	11,200	
Leg Up Farm Inc.	4,375	4,375
LutherCare		1,500
M. Elvin Byler Memorial Sertoma Club	5,000	5,000
Milagro House	2,819	2,015
New Life for Girls	1,500	
Olivia's House	525	
Power Packs Project	6,000	6,000
Schreiber Pediatric Rehab Center		5,000
The Salvation Army Harrisburg Capital City Region		5,000
Total Grants Paid	<u>\$ 70,451</u>	<u>\$ 45,665</u>