

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

December 31, 2016 and 2015

Financial Statements and Independent Auditors' Report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 26, 2017

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,090,849	\$ 882,652
Contributions receivable	70,271	34,776
Due from RMHC - Global	5,454	5,413
Investments, at fair value	4,632,373	3,973,505
Prepaid expenses	13,828	13,756
Total Current Assets	5,812,775	4,910,102
PROPERTY, FURNITURE AND EQUIPMENT, NET	4,185,357	4,330,079
Total Assets	\$ 9,998,132	\$ 9,240,181
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 17,452	\$ 21,234
Due to RMHC - Global	0	8,206
Accrued expenses	41,499	37,237
Total Liabilities	58,951	66,677
NET ASSETS		
Unrestricted	8,343,434	7,988,394
Board designated for endowment	525,533	153,868
Board designated for capital and capital improvements	272,575	272,575
Total Unrestricted	9,141,542	8,414,837
Temporarily restricted for capital expenditures and operations	291,389	252,417
Permanently restricted for operating expense endowments	506,250	506,250
Total Net Assets	9,939,181	9,173,504
Total Liabilities and Net Assets	\$ 9,998,132	\$ 9,240,181

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, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 1,365,457	\$ 0	\$ 0	\$ 1,365,457	\$ 1,069,419
Fund-raising events, net of direct expenses of \$170,590 and \$187,991, respectively	288,814	2,150		290,964	320,471
Guest donations	16,733			16,733	12,158
Donated goods and services	290,337			290,337	369,120
Interest and dividend income	138,301	34,575		172,876	150,949
Loss on disposal of fixed assets	(1,140)			(1,140)	(4,282)
Miscellaneous	300			300	0
Realized gain on investments	123	31		154	273
Unrealized gain (loss) on investments	102,390	25,597		127,987	(56,264)
	<u>2,201,315</u>	<u>62,353</u>	<u>0</u>	<u>2,263,668</u>	<u>1,861,844</u>
Net assets released from restrictions	23,381	(23,381)		0	0
Total Revenues, Gains and Other Support	<u>2,224,696</u>	<u>38,972</u>	<u>0</u>	<u>2,263,668</u>	<u>1,861,844</u>
EXPENSES					
Program services - House and Family Rooms	910,162			910,162	1,094,325
Program services - Grants	141,460			141,460	131,155
Management and general	210,426			210,426	148,525
Fund-raising	203,916			203,916	223,816
Unallocated payments to RMHC-Global	32,027			32,027	39,021
Total Expenses	<u>1,497,991</u>	<u>0</u>	<u>0</u>	<u>1,497,991</u>	<u>1,636,842</u>
CHANGE IN NET ASSETS	726,705	38,972	0	765,677	225,002
NET ASSETS, JANUARY 1	<u>8,414,837</u>	<u>252,417</u>	<u>506,250</u>	<u>9,173,504</u>	<u>8,948,502</u>
NET ASSETS, DECEMBER 31	<u>\$ 9,141,542</u>	<u>\$ 291,389</u>	<u>\$ 506,250</u>	<u>\$ 9,939,181</u>	<u>\$ 9,173,504</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 1,047,921	\$ 5,000	\$ 16,498	\$ 1,069,419
Fund-raising events, net of direct expenses of \$187,991	320,471			320,471
Guest donations	12,158			12,158
Donated goods and services	369,120			369,120
Interest and dividend income	116,163	34,786		150,949
Loss on disposal of fixed assets	(4,282)			(4,282)
Realized gain on investments	210	63		273
Unrealized loss on investments	(43,323)	(12,941)		(56,264)
	<u>1,818,438</u>	<u>26,908</u>	<u>16,498</u>	<u>1,861,844</u>
Net assets released from restrictions	<u>152,823</u>	<u>(81,228)</u>	<u>(71,595)</u>	<u>0</u>
Total Revenues, Gains and Other Support	<u>1,971,261</u>	<u>(54,320)</u>	<u>(55,097)</u>	<u>1,861,844</u>
EXPENSES				
Program services - House and Family Rooms	1,094,325			1,094,325
Program services - Grants	131,155			131,155
Management and general	148,525			148,525
Fund-raising	223,816			223,816
Unallocated payments to RMHC-Global	39,021			39,021
Total Expenses	<u>1,636,842</u>	<u>0</u>	<u>0</u>	<u>1,636,842</u>
CHANGE IN NET ASSETS	334,419	(54,320)	(55,097)	225,002
NET ASSETS, JANUARY 1	<u>8,080,418</u>	<u>306,737</u>	<u>561,347</u>	<u>8,948,502</u>
NET ASSETS, DECEMBER 31	<u>\$ 8,414,837</u>	<u>\$ 252,417</u>	<u>\$ 506,250</u>	<u>\$ 9,173,504</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, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	Program Services		Supporting Services		Total	
	House and Family Rooms	Grants	Management and General	Fund- raising	2016	2015
Salaries	\$ 258,983	\$ 11,491	\$ 49,056	\$ 122,420	\$ 441,950	\$ 550,107
Payroll taxes	22,637	1,004	4,288	10,701	38,630	47,374
Employee benefits	23,551	1,273	4,752	12,857	42,433	49,995
House supplies	22,034				22,034	13,056
Family room supplies	1,820				1,820	5,957
Laundry	10,967				10,967	7,000
Insurance	13,850		6,821		20,671	19,518
Cleaning	3,744		117	39	3,900	2,000
Utilities	44,317		1,384	461	46,162	48,771
Maintenance and repairs	42,202		1,319	440	43,961	106,358
Contract services	21,313		666	222	22,201	12,957
Dues and subscriptions	2,446		979	1,468	4,893	941
General and administrative	4,056		4,056		8,112	12,414
Grants		123,266			123,266	113,501
Travel	1,723		287	861	2,871	1,399
Meetings and seminars	1,656		279	60	1,995	9,432
Office supplies	3,497	71	1,785	1,785	7,138	4,068
Donated materials	234,315		26,035		260,350	311,321
Telephone	5,513	70	1,047	349	6,979	7,761
Postage	3,848	679	3,395	14,711	22,633	16,663
Marketing	6,248		521	6,248	13,017	1,858
Professional fees	12,021	3,606	98,575	6,011	120,213	15,126
Volunteer recognition	7,378				7,378	8,490
Depreciation	162,043		5,064	1,688	168,795	206,469
Canister collection				23,595	23,595	25,285
	\$ 910,162	\$ 141,460	\$ 210,426	\$ 203,916	\$ 1,465,964	\$ 1,597,821

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

	<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	\$ 322,362	\$ 14,303	\$ 61,062	\$ 152,380	\$ 550,107
Payroll taxes	27,760	1,232	5,259	13,123	47,374
Employee benefits	27,747	1,500	5,599	15,149	49,995
House supplies	13,056				13,056
Family room supplies	5,957				5,957
Laundry	7,000				7,000
Insurance	13,077		6,441		19,518
Cleaning	1,920		60	20	2,000
Utilities	46,820		1,463	488	48,771
Maintenance and repairs	102,104		3,191	1,063	106,358
Contract services	12,438		389	130	12,957
Dues and subscriptions	471		188	282	941
General and administrative	6,207		6,207		12,414
Grants		113,501			113,501
Travel	839		140	420	1,399
Meetings and seminars	7,829		1,320	283	9,432
Office supplies	1,993	41	1,017	1,017	4,068
Donated materials	280,189		31,132		311,321
Telephone	6,131	78	1,164	388	7,761
Postage	2,833	500	2,499	10,831	16,663
Marketing	892		74	892	1,858
Professional fees			15,126		15,126
Volunteer recognition	8,490				8,490
Depreciation	198,210		6,194	2,065	206,469
Canister collection				25,285	25,285
	<u>\$ 1,094,325</u>	<u>\$ 131,155</u>	<u>\$ 148,525</u>	<u>\$ 223,816</u>	<u>\$ 1,597,821</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,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 765,677	\$ 225,002
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	168,795	206,469
Realized gain on investments	(154)	(273)
Unrealized (gain) loss on investments	(127,987)	56,264
Donated property and equipment	(7,000)	(22,500)
Loss on disposal of assets	1,140	4,282
Changes in assets and liabilities		
Contributions receivable	(35,495)	3,706
Due from RMHC - Global	(41)	6,212
Prepaid expenses	(72)	(1,116)
Accounts payable	(3,782)	4,783
Due to RMHC - Global	(8,206)	(1,349)
Accrued expenses	4,262	(7,993)
Net Cash Provided by Operating Activities	<u>757,137</u>	<u>473,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	0	778,456
Purchases of investments	(530,727)	(1,560,489)
Purchases of property, furniture and equipment	(18,213)	(46,894)
Net Cash Used in Investing Activities	<u>(548,940)</u>	<u>(828,927)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	208,197	(355,440)
CASH AND EQUIVALENTS, JANUARY 1	882,652	1,238,092
CASH AND EQUIVALENTS, DECEMBER 31	<u>\$ 1,090,849</u>	<u>\$ 882,652</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY

NON CASH OPERATING ACTIVITIES		
In-kind contribution of property	\$ 7,000	\$ 22,500
In-kind contribution of goods and services	290,337	346,620
	<u>\$ 297,337</u>	<u>\$ 369,120</u>
 In-kind contribution for fund-raising activities	 \$ 80,046	 \$ 98,968

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 \$474,000 at December 31, 2016.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015.

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, 2016 AND 2015

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 \$282,337 and \$346,620 for the years ended December 31, 2016 and 2015, 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 \$80,046 and \$98,968 for the years ended December 31, 2016 and 2015, respectively.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2016 AND 2015

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 \$7,000 and \$22,500 during the years ended December 31, 2016 and 2015, 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, 2016 and 2015, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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, 2016 and 2015 are summarized as follows:

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2016 AND 2015

NOTE 3 Investments (Continued)

Investments at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
<i>Unrestricted:</i>				
Mutual funds - Bonds	\$ 1,074,562	\$ 0	\$ 0	\$ 1,074,562
Mutual funds - Equities	2,779,837			2,779,837
	3,854,399	0	0	3,854,399
<i>Temporarily restricted:</i>				
Mutual funds - Equities	271,724			271,724
<i>Permanently restricted:</i>				
Equity securities	506,250			506,250
	\$ 4,632,373	\$ 0	\$ 0	\$ 4,632,373
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

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, 2016 AND 2015

NOTE 3 Investments (Continued)

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

	December 31,	
	2016	2015
Interest and dividend income	\$ 172,876	\$ 150,949
Realized/unrealized gain (loss), net	128,141	(55,991)
	\$ 301,017	\$ 94,958

NOTE 4 Property, Furniture and Equipment

	December 31,	
	2016	2015
Land	\$ 305,891	\$ 305,891
Building and improvements	5,775,817	5,768,619
Furniture and fixtures	495,576	491,575
Equipment	193,594	190,762
Family room furniture	33,055	33,055
	6,803,933	6,789,902
Less accumulated depreciation	2,618,576	2,459,823
	\$ 4,185,357	\$ 4,330,079

Depreciation expense for the years ended December 31, 2016 and 2015 was \$168,795 and \$206,469, 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, 2016 AND 2015

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, 2016 and 2015:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at December 31, 2014	\$ 80,376	\$ 189,612	\$ 561,347	\$ 831,335
Contributions			16,498	16,498
Reclassification – Note 10	71,595		(71,595)	0
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	1,897	21,908	0	23,805
Endowment net assets at December 31, 2015	\$ 153,868	\$ 211,520	\$ 506,250	\$ 871,638
Contributions	365,645			365,645
Investment income				
Interest & dividends	3,458	34,575		38,033
Unrealized gain	2,560	25,597		28,157
Realized gain	3	31		34
Total investment income	6,021	60,203	0	66,224
Endowment net assets at December 31, 2016	\$ 525,534	\$ 271,723	\$ 506,250	\$ 1,303,507

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2016 AND 2015

NOTE 6 **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2016	2015
Capital expenditures	\$ 17,516	\$ 40,897
House operating expenses	273,873	211,520
	\$ 291,389	\$ 252,417

NOTE 7 **Line of Credit**

The Organization has a \$500,000 unsecured line of credit available with a bank for operational purposes. The line of credit expires October 31, 2017. Interest on outstanding borrowings is payable at the bank's prime rate (4% at December 31, 2016). There were no borrowings against the line as of December 31, 2016 and 2015, respectively.

NOTE 8 **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, 2016 and 2015, the Organization received \$57,822 and \$117,845, respectively, from these revenue streams.

During the years ended December 31, 2016 and 2015, the Organization's expense to RMHC-Global was \$32,027 and \$39,021, respectively. At December 31, 2016 and 2015, the Organization had \$5,454 and \$5,413, respectively, due from RMHC-Global and \$0 and \$8,206, respectively, due to RMHC-Global.

NOTE 9 **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 \$10,330 and \$13,364 for the years ended December 31, 2016 and 2015, respectively.

NOTE 10 **Reclassification**

Certain amounts in the 2015 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. However, they did require the reclassification of permanently restricted net assets to unrestricted net assets in the amount of \$71,595 relative to contributions received in prior years which were improperly classified towards the organization's endowment but intended for the board designated endowment.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2016 AND 2015

NOTE 11 Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 26, 2017, 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, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and have issued our report thereon dated April 26, 2017, 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 26, 2017

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
SCHEDULES OF GRANTS PAID

	Years Ended	
	December 31,	
	2016	2015
Aaron's Acres	\$ 0	\$ 7,502
ARC of York County, Inc.	10,000	10,000
Bethesda Mission	20,000	
Big Brothers Big Sisters of York and Adams Counties		500
Boys & Girls Club of Lancaster, Inc.		2,000
Byrnes Health Education Center		15,000
Children Deserve a Chance Foundation	5,000	
Clinic for Special Children	20,000	10,000
Community Check-Up Center of South Harrisburg, Inc.	5,000	
Family Promise of Harrisburg Capital Region	1,766	
Fulton Opera House Foundation - Fulton Theatre		5,000
Gaudenzia, Inc.		10,000
Girls on the Run Capital Area	9,000	
Girl Scouts in the Heart of Pennsylvania		2,530
Junior Achievement of Central Pennsylvania, Inc.		1,571
Junior Achievement of South Central PA, Inc.		2,500
The Kidney Foundation of Central Pennsylvania	5,500	
Lancaster General Hospital		11,198
Power Packs Project	17,000	
The Salvation Army Harrisburg Capital City Region	10,000	10,000
Samaritan Counseling Center		25,700
Survivors, Inc.	20,000	
Total Grants Paid	<u>\$ 123,266</u>	<u>\$ 113,501</u>