



*Ronald McDonald  
House Charities of  
Central Pennsylvania*

*December 31, 2017 and 2016*

*Financial Statements and Independent Auditors' Report*

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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  
May 22, 2018

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,039,392	\$ 1,090,849
Contributions receivable	29,499	70,271
Due from RMHC - Global	6,213	5,454
Investments, at fair value	6,224,006	4,632,373
Prepaid expenses	11,631	13,828
Total Current Assets	7,310,741	5,812,775
<b>PROPERTY, FURNITURE AND EQUIPMENT, NET</b>	4,042,999	4,185,357
Total Assets	\$ 11,353,740	\$ 9,998,132
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 7,202	\$ 17,452
Accrued expenses	45,194	41,499
Total Liabilities	52,396	58,951
<b>NET ASSETS</b>		
Unrestricted	9,202,586	8,343,434
Board designated for endowment	849,489	525,533
Board designated for capital and capital improvements	272,575	272,575
Total Unrestricted	10,324,650	9,141,542
Temporarily restricted for capital expenditures and operations	470,444	291,389
Permanently restricted for operating expense endowments	506,250	506,250
Total Net Assets	11,301,344	9,939,181
Total Liabilities and Net Assets	\$ 11,353,740	\$ 9,998,132

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, 2017**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
Contributions	\$ 1,295,290	\$ 32,500	\$ 0	\$ 1,327,790	\$ 1,365,457
Fund-raising events, net of direct expenses of \$164,761 and \$170,590, respectively	347,103			347,103	290,964
Guest donations	18,975			18,975	16,733
Donated goods and services	328,751			328,751	290,337
Interest and dividend income	238,397	47,776		286,173	172,876
Loss on disposal of fixed assets	(570)			(570)	(1,140)
Miscellaneous	2,673			2,673	300
Realized gain on investments	79,805	15,994		95,799	154
Unrealized gain on investments	549,886	110,201		660,087	127,987
	<u>2,860,310</u>	<u>206,471</u>	<u>0</u>	<u>3,066,781</u>	<u>2,263,668</u>
Net assets released from restrictions	27,416	(27,416)		0	0
Total Revenues, Gains and Other Support	<u>2,887,726</u>	<u>179,055</u>	<u>0</u>	<u>3,066,781</u>	<u>2,263,668</u>
<b>EXPENSES</b>					
Program services - House and Family Rooms	1,036,479			1,036,479	910,162
Program services - Grants	221,098			221,098	141,460
Management and general	172,758			172,758	210,426
Fund-raising	234,237			234,237	203,916
Unallocated payments to RMHC-Global	40,046			40,046	32,027
Total Expenses	<u>1,704,618</u>	<u>0</u>	<u>0</u>	<u>1,704,618</u>	<u>1,497,991</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,183,108</u>	<u>179,055</u>	<u>0</u>	<u>1,362,163</u>	<u>765,677</u>
<b>NET ASSETS, JANUARY 1</b>	<u>9,141,542</u>	<u>291,389</u>	<u>506,250</u>	<u>9,939,181</u>	<u>9,173,504</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 10,324,650</u>	<u>\$ 470,444</u>	<u>\$ 506,250</u>	<u>\$ 11,301,344</u>	<u>\$ 9,939,181</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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 1,365,457	\$ 0	\$ 0	\$ 1,365,457
Fund-raising events, net of direct expenses of \$170,590	288,814	2,150		290,964
Guest donations	16,733			16,733
Donated goods and services	290,337			290,337
Interest and dividend income	138,301	34,575		172,876
Loss on disposal of fixed assets	(1,140)			(1,140)
Miscellaneous	300			300
Realized gain on investments	123	31		154
Unrealized gain on investments	102,390	25,597		127,987
	<u>2,201,315</u>	<u>62,353</u>	<u>0</u>	<u>2,263,668</u>
Net assets released from restrictions	23,381	(23,381)		0
Total Revenues, Gains and Other Support	<u>2,224,696</u>	<u>38,972</u>	<u>0</u>	<u>2,263,668</u>
<b>EXPENSES</b>				
Program services - House and Family Rooms	910,162			910,162
Program services - Grants	141,460			141,460
Management and general	210,426			210,426
Fund-raising	203,916			203,916
Unallocated payments to RMHC-Global	32,027			32,027
Total Expenses	<u>1,497,991</u>	<u>0</u>	<u>0</u>	<u>1,497,991</u>
<b>CHANGE IN NET ASSETS</b>	726,705	38,972	0	765,677
<b>NET ASSETS, JANUARY 1</b>	<u>8,414,837</u>	<u>252,417</u>	<u>506,250</u>	<u>9,173,504</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 9,141,542</u>	<u>\$ 291,389</u>	<u>\$ 506,250</u>	<u>\$ 9,939,181</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, 2017**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Program Services		Supporting Services		Total	
	House and Family Rooms	Grants	Management and General	Fund- raising	2017	2016
Salaries	\$ 300,358	\$ 13,326	\$ 56,894	\$ 141,978	\$ 512,556	\$ 441,950
Payroll taxes	27,376	1,215	5,186	12,941	46,718	38,630
Employee benefits	27,081	1,464	5,465	14,785	48,795	42,433
House supplies	35,545				35,545	22,034
Family room supplies					0	1,820
Laundry	12,824				12,824	10,967
Insurance	13,141		6,472		19,613	20,671
Cleaning	2,592		81	27	2,700	3,900
Utilities	40,390		1,262	420	42,072	46,162
Maintenance and repairs	44,803		1,400	467	46,670	43,961
Contract services	27,428		857	286	28,571	22,201
Dues and subscriptions	1,841		737	1,105	3,683	4,893
General and administrative	5,588		5,589		11,177	8,112
Grants		202,625			202,625	123,266
Travel	3,467		578	1,734	5,779	2,871
Meetings and seminars	3,083		521	111	3,715	1,995
Office supplies	3,295	67	1,682	1,682	6,726	7,138
Donated materials	277,555		30,840		308,395	260,350
Telephone	6,286	80	1,194	398	7,958	6,979
Postage	4,139	730	3,652	15,826	24,347	22,633
Marketing	20,649		1,721	20,650	43,020	13,017
Professional fees	5,303	1,591	43,487	2,652	53,033	120,213
Volunteer recognition	9,260				9,260	7,378
Depreciation	164,475		5,140	1,713	171,328	168,795
Canister collection				17,462	17,462	23,595
	\$ 1,036,479	\$ 221,098	\$ 172,758	\$ 234,237	\$ 1,664,572	\$ 1,465,964

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**

	<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	\$ 258,983	\$ 11,491	\$ 49,056	\$ 122,420	\$ 441,950
Payroll taxes	22,637	1,004	4,288	10,701	38,630
Employee benefits	23,551	1,273	4,752	12,857	42,433
House supplies	22,034				22,034
Family room supplies	1,820				1,820
Laundry	10,967				10,967
Insurance	13,850		6,821		20,671
Cleaning	3,744		117	39	3,900
Utilities	44,317		1,384	461	46,162
Maintenance and repairs	42,202		1,319	440	43,961
Contract services	21,313		666	222	22,201
Dues and subscriptions	2,446		979	1,468	4,893
General and administrative	4,056		4,056		8,112
Grants		123,266			123,266
Travel	1,723		287	861	2,871
Meetings and seminars	1,656		279	60	1,995
Office supplies	3,497	71	1,785	1,785	7,138
Donated materials	234,315		26,035		260,350
Telephone	5,513	70	1,047	349	6,979
Postage	3,848	679	3,395	14,711	22,633
Marketing	6,248		521	6,248	13,017
Professional fees	12,021	3,606	98,575	6,011	120,213
Volunteer recognition	7,378				7,378
Depreciation	162,043		5,064	1,688	168,795
Canister collection				23,595	23,595
	<u>\$ 910,162</u>	<u>\$ 141,460</u>	<u>\$ 210,426</u>	<u>\$ 203,916</u>	<u>\$ 1,465,964</u>

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



**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,362,163	\$ 765,677
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	171,328	168,795
Realized gain on investments	(95,799)	(154)
Unrealized gain on investments	(660,087)	(127,987)
Donated property and equipment	0	(7,000)
Loss on disposal of assets	570	1,140
Changes in assets and liabilities		
Contributions receivable	40,772	(35,495)
Due from RMHC - Global	(759)	(41)
Prepaid expenses	2,197	(72)
Accounts payable	(10,250)	(3,782)
Due to RMHC - Global	0	(8,206)
Accrued expenses	3,695	4,262
Net Cash Provided by Operating Activities	<u>813,830</u>	<u>757,137</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,728,600	0
Purchases of investments	(2,564,347)	(530,727)
Purchases of property, furniture and equipment	(29,540)	(18,213)
Net Cash Used in Investing Activities	<u>(865,287)</u>	<u>(548,940)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(51,457)	208,197
<b>CASH AND EQUIVALENTS, JANUARY 1</b>	<u>1,090,849</u>	<u>882,652</u>
<b>CASH AND EQUIVALENTS, DECEMBER 31</b>	<u>\$ 1,039,392</u>	<u>\$ 1,090,849</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY**

<b>NON CASH OPERATING ACTIVITIES</b>		
In-kind contribution of property	\$ 0	\$ 7,000
In-kind contribution of goods and services	328,751	283,337
	<u>\$ 328,751</u>	<u>\$ 290,337</u>
 In-kind contribution for fund-raising activities	 <u>\$ 74,152</u>	 <u>\$ 80,046</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, 2017 AND 2016**

**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 \$434,900 at December 31, 2017.

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2017 AND 2016**

**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, 2017 and 2016.

**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, 2017 AND 2016**

**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 \$328,751 and \$282,337 for the years ended December 31, 2017 and 2016, 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 \$74,152 and \$80,046 for the years ended December 31, 2017 and 2016, respectively.

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2017 AND 2016**

**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 during the year ended December 31, 2016. No such donated assets were received during the year ended December 31, 2017.

**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, 2017 and 2016, 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, 2017 and 2016 are summarized as follows:

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 3 Investments (Continued)**

<b>Investments at Fair Value as of December 31, 2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i><b>Unrestricted:</b></i>				
Mutual funds - Bonds	\$ 1,371,558	\$ 0	\$ 0	\$ 1,371,558
Mutual funds - Equities	3,866,062			3,866,062
	5,237,620	0	0	5,237,620
<i><b>Temporarily restricted:</b></i>				
Mutual funds - Equities	480,136			480,136
<i><b>Permanently restricted:</b></i>				
Equity securities	506,250			506,250
	\$ 6,224,006	\$ 0	\$ 0	\$ 6,224,006

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

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, 2017 AND 2016**

**NOTE 3 Investments (Continued)**

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Interest and dividend income	\$ 286,173	\$ 172,876
Realized/unrealized gain	755,886	128,141
	<b>\$ 1,042,059</b>	<b>\$ 301,017</b>

**NOTE 4 Property, Furniture and Equipment**

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 305,891	\$ 305,891
Building and improvements	5,783,393	5,775,817
Furniture and fixtures	495,576	495,576
Equipment	213,758	193,594
Family room furniture	33,055	33,055
	6,831,673	6,803,933
Less accumulated depreciation	2,788,674	2,618,576
	<b>\$ 4,024,999</b>	<b>\$ 4,185,357</b>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$171,328 and \$168,795, 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, 2017 AND 2016**

**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, 2017 and 2016:

	<b>Board Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at December 31, 2015	\$ 153,868	\$ 211,521	\$ 506,250	\$ 871,639
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	\$ 271,724	\$ 506,250	\$ 1,303,508
Contributions	206,434			206,434
Investment Income				
Interest & dividends	32,274	47,776		80,050
Unrealized gain	74,443	110,201		184,644
Realized gain	10,804	15,994		26,798
Total investment income	117,521	173,971		291,492
Endowment net assets at December 31, 2017	\$ 849,489	\$ 445,695	\$ 506,250	\$ 1,801,434



**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 6      Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Capital expenditures	\$ 10,000	\$ 17,516
Endowment	445,695	271,724
House operating expenses	14,749	2,149
	<u>\$ 470,444</u>	<u>\$ 291,389</u>

**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, 2018. Interest on outstanding borrowings is payable at the bank's prime rate (4.5% at December 31, 2017). There were no borrowings against the line as of December 31, 2017 and 2016, respectively.

**NOTE 8      Transactions with Related Entities**

The Organization is a beneficiary of national fundraising efforts facilitated by Ronald McDonald House Charities, Inc. (RMHC Global). RMHC Global retains 25% of the funds from such efforts and remits the remaining proceeds to the Organization. During the years ended December 31, 2017 and 2016, the Organization received \$104,159 and \$57,822, respectively, from these revenue streams.

Effective October 31, 2017, all donation box collection services were centralized under RMHC Global. From the date the Organization centralized, all collection revenue was sent to RMHC Global. The Organization now receives a monthly grant from RMHC Global, which represents 75% of the donation box collections for the month, net of 25% of the collection fees incurred.

During the years ended December 31, 2017 and 2016, the Organization's expense to RMHC-Global was \$40,046 and \$32,027, respectively. At December 31, 2017 and 2016, the Organization had \$6,213 and \$5,454, respectively, due from 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 \$13,206 and \$10,330 for the years ended December 31, 2017 and 2016, respectively.

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 10      Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 22, 2018, 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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and have issued our report thereon dated May 22, 2018, 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  
May 22, 2018

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**SCHEDULES OF GRANTS PAID**

	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Aaron's Acres	\$ 10,941	\$ 0
ARC of York County, Inc.		10,000
Bethesda Mission		20,000
Big Brothers Big Sisters of York and Adams Counties	7,500	
Boys & Girls Club of Lancaster, Inc.	25,000	
Children's Home of York	5,700	
Children Deserve a Chance Foundation		5,000
Clinic for Special Children		20,000
Community Check-Up Center of South Harrisburg, Inc.		5,000
EquiTeam Support Services	10,000	
Family Promise of Harrisburg Capital Region		1,766
Foundation for the Center Dauphin Schools	10,000	
Gaudenzia, Inc.	12,000	
Girls on the Run Capital Area	10,000	9,000
Junior Achievement of Central Pennsylvania, Inc.	2,500	
The Kidney Foundation of Central Pennsylvania	10,000	5,500
Leg Up Farm, Inc.	7,150	
Milagro House	4,275	
New Hope Ministries, Inc.	10,000	
Pennsylvania Family Support Alliance	15,000	
Power Packs Project		17,000
The Salvation Army Harrisburg Capital City Region		10,000
Samaritan Counseling Center	25,000	
Survivors, Inc.		20,000
The Vista Foundation	25,000	
WellSpan Health Good Samaritan Hospital	5,059	
York County Library System	7,500	
Total Grants Paid	<u>\$ 202,625</u>	<u>\$ 123,266</u>