



*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<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |                     |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|---------------------|
|   |                      |                                   |                                   | <u>2017</u>          | <u>2016</u>         |
| <b>REVENUES, GAINS AND<br/>OTHER SUPPORT</b>  |                      |                                   |                                   |                      |                     |
| Contributions   | \$ 1,295,290         | \$ 32,500                         | \$ 0                              | \$ 1,327,790         | \$ 1,365,457        |
| Fund-raising events, net of direct expenses of<br>\$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<br>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<br>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<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>REVENUES, GAINS AND<br/>OTHER SUPPORT</b>                |                     |                                   |                                   |                     |
| Contributions   | \$ 1,365,457        | \$ 0                              | \$ 0                              | \$ 1,365,457        |
| Fund-raising events, net of direct<br>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<br>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<br>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<br>Family Rooms | Grants     | Management<br>and<br>General | Fund-<br>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<br/>Family Rooms</u> | <u>Grants</u>     | <u>Management<br/>and<br/>General</u> | <u>Fund-<br/>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> |
| <br>   |                   |                   |
| 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     |
|                              | \$ 1,042,059        | \$ 301,017  |

**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    |
|                               | \$ 4,024,999        | \$ 4,185,357 |

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<br/>Designated</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b> |
|--|-----------------------------|-----------------------------------|-----------------------------------|--------------|
| Endowment net assets at<br>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<br>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<br>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       |
|                          | \$ 470,444          | \$ 291,389  |

**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><u>2017</u></b>  | <b><u>2016</u></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>  |