



*Ronald McDonald
House Charities of
Central Pennsylvania*

December 31, 2019 and 2018

Financial Statements and Independent Auditors' Report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
DECEMBER 31, 2019 AND 2018

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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 (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, 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 26, 2020

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,398,393	\$ 2,262,301
Contributions receivable	22,464	12,525
Due from RMHC - Global	35,048	23,352
Investments, at fair value	6,800,244	5,473,779
Prepaid expenses	19,802	23,450
Total Current Assets	9,275,951	7,795,407
PROPERTY, FURNITURE AND EQUIPMENT, NET	3,733,497	3,876,219
Total Assets	\$ 13,009,448	\$ 11,671,626
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 592	\$ 6,942
Accrued expenses	58,655	52,187
Total Liabilities	59,247	59,129
NET ASSETS		
Without donor restrictions		
Undesignated	8,074,623	7,496,716
Board designated for endowment	3,115,273	2,306,956
Board designated for expansion and capital improvements	1,249,055	1,297,575
Total Net Assets Without Donor Restrictions	12,438,951	11,101,247
With donor restrictions	511,250	511,250
Total Net Assets	12,950,201	11,612,497
Total Liabilities and Net Assets	\$ 13,009,448	\$ 11,671,626

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, 2019
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 949,164	\$ 0	\$ 949,164	924,893
Bequests	97,174		97,174	476,650
Fund-raising events, net of direct expenses of \$262,456 and \$172,537, respectively	341,746		341,746	334,898
Guest donations	14,419		14,419	12,170
Donated goods and services	327,618		327,618	305,416
Interest and dividend income	324,668	12,343	337,011	272,821
Loss on disposal of fixed assets	(3,627)		(3,627)	(22,075)
Miscellaneous	2,424		2,424	2,706
Realized gain on investments	410,910	35,374	446,284	377,535
Unrealized gain (loss) on investments	451,952	31,474	483,426	(885,291)
	<u>2,916,448</u>	<u>79,191</u>	<u>2,995,639</u>	<u>1,799,723</u>
Net assets released from restrictions	79,191	(79,191)	0	0
Total Revenues, Gains and Other Support	<u>2,995,639</u>	<u>0</u>	<u>2,995,639</u>	<u>1,799,723</u>
EXPENSES				
Program services - House and Family Rooms	1,216,526		1,216,526	1,089,496
Management and general	194,614		194,614	178,087
Fund-raising	246,795		246,795	220,987
Total Expenses	<u>1,657,935</u>	<u>0</u>	<u>1,657,935</u>	<u>1,488,570</u>
CHANGE IN NET ASSETS	1,337,704	0	1,337,704	311,153
NET ASSETS, JANUARY 1	<u>11,101,247</u>	<u>511,250</u>	<u>11,612,497</u>	<u>11,301,344</u>
NET ASSETS, DECEMBER 31	<u>\$ 12,438,951</u>	<u>\$ 511,250</u>	<u>\$ 12,950,201</u>	<u>\$ 11,612,497</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 919,893	\$ 5,000	\$ 924,893
Bequests	476,650		476,650
Fund-raising events, net of direct expenses of \$172,537	334,898		334,898
Guest donations	12,170		12,170
Donated goods and services	305,416		305,416
Interest and dividend income	259,042	13,779	272,821
Loss on disposal of fixed assets	(22,075)		(22,075)
Miscellaneous	2,706		2,706
Realized gain on investments	342,745	34,790	377,535
Unrealized loss on investments	(868,182)	(17,109)	(885,291)
	<u>1,763,263</u>	<u>36,460</u>	<u>1,799,723</u>
Net assets released from restrictions	<u>501,904</u>	<u>(501,904)</u>	<u>0</u>
Total Revenues, Gains and Other Support	<u>2,265,167</u>	<u>(465,444)</u>	<u>1,799,723</u>
EXPENSES			
Program services - House and Family Rooms	1,089,496		1,089,496
Management and general	178,087		178,087
Fund-raising	220,987		220,987
Total Expenses	<u>1,488,570</u>	<u>0</u>	<u>1,488,570</u>
CHANGE IN NET ASSETS	776,597	(465,444)	311,153
NET ASSETS, JANUARY 1	<u>10,324,650</u>	<u>976,694</u>	<u>11,301,344</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 11,101,247</u></u>	<u><u>\$ 511,250</u></u>	<u><u>\$ 11,612,497</u></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, 2019
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>	
	<u>House and Family Rooms</u>	<u>Management and General</u>		<u>Fund- raising</u>	<u>2019</u>	<u>2018</u>
Salaries	\$ 385,758	\$ 69,966	\$ 174,599	\$ 630,323	\$ 564,550	
Payroll taxes	35,163	6,378	15,915	57,456	53,399	
Employee benefits	43,001	8,233	22,273	73,507	46,925	
House supplies	41,396			41,396	48,674	
Insurance	13,985	7,443	1,128	22,556	19,782	
Cleaning	2,592	81	27	2,700	2,700	
Utilities	44,475	1,390	464	46,329	43,671	
Maintenance and repairs	41,488	1,296	432	43,216	45,644	
Contract services	92,738	2,899	966	96,603	50,691	
Dues and subscriptions	1,402	560	840	2,802	2,316	
General and administrative	5,766	5,766		11,532	15,890	
Travel	3,622	604	1,811	6,037	16,295	
Meetings and seminars	2,946	497	106	3,549	6,037	
Office supplies	6,909	3,454	3,454	13,817	11,171	
Donated materials	256,263	28,474		284,737	287,482	
Telephone	4,385	888	278	5,551	8,128	
Postage	4,933	3,700	16,033	24,666	18,789	
Marketing	3,516	294	3,516	7,326	18,633	
Professional fees	5,404	45,937	2,702	54,043	48,571	
Volunteer recognition	4,640			4,640	7,806	
Depreciation	216,144	6,754	2,251	225,149	171,416	
	<u>\$ 1,216,526</u>	<u>\$ 194,614</u>	<u>\$ 246,795</u>	<u>\$ 1,657,935</u>	<u>\$ 1,488,570</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, 2018

	Program Services	Supporting Services		Total
	House and Family Rooms	Management and General	Fund- raising	
Salaries	\$ 345,505	\$ 62,665	\$ 156,380	\$ 564,550
Payroll taxes	32,680	5,927	14,792	53,399
Employee benefits	27,451	5,256	14,218	46,925
House supplies	48,674			48,674
Insurance	13,254	6,528		19,782
Cleaning	2,592	81	27	2,700
Utilities	41,924	1,310	437	43,671
Maintenance and repairs	43,818	1,369	457	45,644
Contract services	49,041	1,238	412	50,691
Dues and subscriptions	1,158	463	695	2,316
General and administrative	7,945	7,945		15,890
Travel	9,777	1,629	4,889	16,295
Meetings and seminars	5,011	845	181	6,037
Office supplies	5,585	2,793	2,793	11,171
Donated materials	258,734	28,748		287,482
Telephone	6,422	1,300	406	8,128
Postage	3,758	2,818	12,213	18,789
Marketing	8,944	745	8,944	18,633
Professional fees	4,857	41,285	2,429	48,571
Volunteer recognition	7,806			7,806
Depreciation	164,560	5,142	1,714	171,416
	\$ 1,089,496	\$ 178,087	\$ 220,987	\$ 1,488,570

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,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,337,704	\$ 311,153
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	225,149	171,416
Realized gain on investments	(446,284)	(377,535)
Unrealized (gain) loss on investments	(483,426)	885,291
Donated property and equipment	(18,772)	0
Loss on disposal of assets	3,627	22,075
Changes in assets and liabilities		
Contributions receivable	(9,939)	(2,444)
Due from RMHC - Global	(11,696)	2,279
Prepaid expenses	3,648	(11,819)
Accounts payable	(6,350)	(260)
Accrued expenses	6,468	6,993
Net Cash Provided by Operating Activities	<u>600,129</u>	<u>1,007,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,660,226	3,988,358
Purchases of investments	(2,056,981)	(3,745,887)
Purchases of property, furniture and equipment	(67,282)	(26,711)
Net Cash Provided by (Used in) Investing Activities	<u>(464,037)</u>	<u>215,760</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	136,092	1,222,909
CASH AND EQUIVALENTS, JANUARY 1	<u>2,262,301</u>	<u>1,039,392</u>
CASH AND EQUIVALENTS, DECEMBER 31	<u>\$ 2,398,393</u>	<u>\$ 2,262,301</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY

NON CASH OPERATING ACTIVITIES		
In-kind contribution of goods and services	<u>\$ 327,618</u>	<u>\$ 305,416</u>
In-kind contribution for fund-raising activities	<u>\$ 123,621</u>	<u>\$ 73,098</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, 2019 AND 2018

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. 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or law. The governing board has designated, from net assets without donor restrictions, net assets for an endowment and net assets for various expansion and capital improvement projects.

With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 \$606,000 at December 31, 2019.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018.

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, 2019 AND 2018

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

The Organization generates the majority of their revenue through various donations from the public, operational grants and proceeds from special events held throughout the year. Support revenue is generally recognized at the point in time when the donation is received. The portion of ticket sales for special events that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met. In-kind contributions are recognized as income when the donated asset is physically received. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires; this is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

The Organization did not have any contract asset or liability balances at December 31, 2019 and 2018.

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.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 2 Summary of Significant Accounting Policies (Continued)

Contributed Items and Services (Continued)

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 \$327,618 and \$305,416 for the years ended December 31, 2019 and 2018, 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 \$123,621 and \$73,098 for the years ended December 31, 2019 and 2018, respectively.

Donated assets are recorded at fair market value on the date of donation and totaled \$18,772 and \$0 during the years ended December 31, 2019 and 2018, respectively.

Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting function of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, maintenance and repairs, contract services, and utilities, which are allocated on a square footage basis; and salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort. The remaining expenses are allocated based on historical estimates of usage between program and support functions.

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, 2019 and 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 2 Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Liquidity

The Organization has \$9,275,951 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the current assets section of the statement. Except for the donor restricted balance held in investments (as described in Note 6), none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As more fully described in Note 9, the Organization also has a committed line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need.

In addition, although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated from general expenditure as part of its annual budget approval and appropriation, amounts from its board designated endowment could be made available if necessary.

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, 2019 and 2018 are summarized as follows:

	Investments at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
<i>Without donor restrictions:</i>				
Bond mutual fund	\$ 1,631,205	\$ 0	\$ 0	\$ 1,631,205
Equity mutual funds	4,662,789			4,662,789
	<u>6,293,994</u>	<u>0</u>	<u>0</u>	<u>6,293,994</u>
<i>With donor restrictions:</i>				
Equity mutual funds	31,844			31,844
Equity security	474,406			474,406
	<u>506,250</u>	<u>0</u>	<u>0</u>	<u>506,250</u>
	<u>\$ 6,800,244</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,800,244</u>

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 3 Investments (Continued)

	Investments at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
<i>Without donor restrictions:</i>				
Bond mutual fund	\$ 1,561,067	\$ 0	\$ 0	\$ 1,561,067
Equity mutual funds	3,406,462			3,406,462
	4,967,529	0	0	4,967,529
 <i>With donor restrictions:</i>				
Equity mutual funds	2,077			2,077
Equity security	504,173			504,173
	506,250	0	0	506,250
	\$ 5,473,779	\$ 0	\$ 0	\$ 5,473,779

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.

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

	December 31,	
	2019	2018
Interest and dividend income	\$ 337,011	\$ 272,821
Realized/unrealized gain (loss)	929,710	(507,756)
	\$ 1,266,721	\$ (234,935)

NOTE 4 Property, Furniture and Equipment

	December 31,	
	2019	2018
Land	\$ 305,891	\$ 305,891
Building and improvements	5,735,732	5,745,488
Furniture and fixtures	428,931	489,806
Equipment	262,664	231,270
Family room furniture	28,990	33,055
Construction in progress	16,743	0
	6,778,951	6,805,510
Less accumulated depreciation	3,045,454	2,929,291
	\$ 3,733,497	\$ 3,876,219

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 4 Property, Furniture and Equipment (Continued)

In 2019, the Organization finalized the plan for a major renovation project on the east wing of their property. In accordance with U.S. GAAP, the remaining useful life of certain property associated with the renovation was reduced to reflect the revised estimated remaining useful life. The additional depreciation expense incurred as a result of this change in estimate was \$48,942 for the year ended December 31, 2019.

Depreciation expense for the years ended December 31, 2019 and 2018 was \$225,149 and \$171,416, 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 net assets with donor restrictions. Interest, dividends, gains and losses are restricted for House operating expenses and therefore, also reported as net assets with donor restrictions 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 may be held in perpetuity. The Board has also elected to classify certain unrestricted funds as endowment funds which will be board designated in perpetuity. The Board will be responsible for distributing any investment income produced by the endowment fund while maintaining the original principal balance of contributions to the endowment fund.

Endowment Return Objectives, Risk Parameters and Strategies

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

Spending Policy

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 5 Endowments (Continued)

Following are the changes in the endowment net assets for the years ended December 31, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at January 1, 2018	\$ 849,489	\$ 951,945	\$ 1,801,434
Contributions	408,500		408,500
Additional designation	1,045,533		1,045,533
Investment Income			
Interest & dividends	14,670	13,779	28,449
Unrealized loss	(170,426)	(17,109)	(187,535)
Realized gain	159,190	34,790	193,980
Total investment income	3,434	31,460	34,894
Appropriations		(477,155)	(477,155)
Endowment net assets at December 31, 2018	\$ 2,306,956	\$ 506,250	\$ 2,813,206
Contributions	302,622		302,622
Investment Income			
Interest & dividends	143,184	12,343	155,527
Unrealized gain	155,833	35,374	191,207
Realized gain	206,678	31,474	238,152
Total investment income	505,695	79,191	584,886
Appropriations		(79,191)	(79,191)
Endowment net assets at December 31, 2019	\$ 3,115,273	\$ 506,250	\$ 3,621,523

NOTE 6 Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
House operations	\$ 5,000	\$ 5,000
Subject to the Organization's appropriation:		
Original donor-restricted gift required to be maintained in perpetuity by donor	506,250	506,250
	<u>\$ 511,250</u>	<u>\$ 511,250</u>

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE 7 Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows:

	December 31,	
	2019	2018
Purpose restrictions accomplished:		
House operations	\$ 79,191	\$ 491,904
Capital expenditures	0	10,000
Time restriction expired:		
Event held during the year	0	2,150
	\$ 79,191	\$ 501,904

NOTE 8 Net Assets without Donor Restrictions

The Organization's governing Board of Directors has designated net assets without donor restrictions for the following purposes:

	December 31,	
	2019	2018
Board-designated endowment	\$ 3,115,273	\$ 2,306,956
General capital reserve	272,575	272,575
House renovation	476,480	500,000
Expansion of family room at Hershey Medical	500,000	500,000
Kiosk at Lancaster General Hospital	0	25,000
	\$ 4,364,328	\$ 3,604,531

NOTE 9 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, 2020. Interest on outstanding borrowings is payable at the bank's prime rate (4.75% at December 31, 2019). There were no borrowings against the line as of December 31, 2019 and 2018, respectively.

NOTE 10 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, 2019 and 2018, the Organization received \$202,330 and \$172,028, respectively, from these revenue streams.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 10 Transactions with Related Entities (Continued)

At December 31, 2019 and 2018, the Organization had \$35,048 and \$23,352, respectively, due from RMHC-Global.

NOTE 11 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 \$13,614 and \$11,880 for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 Change in Accounting Principles

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Additionally, in June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
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NOTE 13 Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on the prior year change in net assets.

NOTE 14 Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 26, 2020, the date the financial statements were available to be issued. Subsequent to December 31, 2019, a global pandemic of the COVID-19 virus caused substantial economic disruption which has significantly impacted the operations of the Organization. Management has canceled certain annual fund-raising events scheduled for the year and anticipates a substantial decrease in contribution revenue for the period. In addition, the Organization's investments have declined as a result of volatility and uncertainty in the financial markets. The Organization is actively addressing the situation by modifying operations at the House, and has applied for financial assistance through various government stimulus and private grant programs. Management continues to evaluate the situation, does not consider the impact on operations to be permanent, and believes it has sufficient liquidity through its existing cash, cash equivalents and investments without donor restrictions to continue to fund operations through 2020.

Subsequent to December 31, 2019, the Organization's Board of Directors unanimously approved the proposed construction costs of \$186,883 for a new family room at the Milton S. Hershey Medical Center. In addition, the Board of Directors approved the purchase of property adjacent to the Organization's current facility. The purchase is subject to final approval from the seller and is expected to be finalized in 2020.

NOTE 15 Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statement.