



*Ronald McDonald
House Charities of
Central Pennsylvania*

December 31, 2020 and 2019

Financial Statements and Independent Auditor's Report

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ronald McDonald House Charities
of Central Pennsylvania

Opinion

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2020 and 2019, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Concannon, Miller + Co., P.C.

Bethlehem, PA
June 10, 2021

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,110,193	\$ 2,398,393
Contributions receivable	24,342	22,464
Due from RMHC - Global	19,130	35,048
Investments, at fair value	8,234,525	6,800,244
Prepaid expenses	24,639	19,802
Total Current Assets	10,412,829	9,275,951
PROPERTY, FURNITURE AND EQUIPMENT, NET	4,093,779	3,733,497
Total Assets	\$ 14,506,608	\$ 13,009,448
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 7,805	\$ 592
Accrued expenses	40,954	58,655
Paycheck Protection Program loan	190,710	0
Total Liabilities	239,469	59,247
NET ASSETS		
Without donor restrictions		
Undesignated	9,624,757	8,074,623
Board designated for endowment	3,821,122	3,115,273
Board designated for guest assistance	42,435	0
Board designated for expansion and capital improvements	272,575	1,249,055
Total Net Assets Without Donor Restrictions	13,760,889	12,438,951
With donor restrictions	506,250	511,250
Total Net Assets	14,267,139	12,950,201
Total Liabilities and Net Assets	\$ 14,506,608	\$ 13,009,448

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, 2020
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 1,147,746	\$ 0	\$ 1,147,746	949,164
Bequests	23,587		23,587	97,174
Fund-raising events, net of direct expenses of \$77,415 and \$262,456, respectively	138,621		138,621	341,746
Guest donations	5,265		5,265	14,419
Donated goods and services	181,603		181,603	327,618
Interest and dividend income	316,059	12,239	328,298	337,011
Loss on disposal of fixed assets	(52,517)		(52,517)	(3,627)
Miscellaneous	241		241	2,424
Realized gain on investments	378,156	26,246	404,402	446,284
Unrealized gain on investments	665,655	16,376	682,031	483,426
	<u>2,804,416</u>	<u>54,861</u>	<u>2,859,277</u>	<u>2,995,639</u>
Net assets released from restrictions	59,861	(59,861)	0	0
Total Revenues, Gains and Other Support	<u>2,864,277</u>	<u>(5,000)</u>	<u>2,859,277</u>	<u>2,995,639</u>
EXPENSES				
Program services - House and Family Rooms	1,108,119		1,108,119	1,216,526
Management and general	178,142		178,142	194,614
Fund-raising	256,078		256,078	246,795
Total Expenses	<u>1,542,339</u>	<u>0</u>	<u>1,542,339</u>	<u>1,657,935</u>
CHANGE IN NET ASSETS	1,321,938	(5,000)	1,316,938	1,337,704
NET ASSETS, JANUARY 1	<u>12,438,951</u>	<u>511,250</u>	<u>12,950,201</u>	<u>11,612,497</u>
NET ASSETS, DECEMBER 31	<u>\$ 13,760,889</u>	<u>\$ 506,250</u>	<u>\$ 14,267,139</u>	<u>\$ 12,950,201</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 949,164	\$ 0	\$ 949,164
Bequests	97,174		97,174
Fund-raising events, net of direct expenses of \$262,456	341,746		341,746
Guest donations	14,419		14,419
Donated goods and services	327,618		327,618
Interest and dividend income	324,668	12,343	337,011
Loss on disposal of fixed assets	(3,627)		(3,627)
Miscellaneous	2,424		2,424
Realized gain on investments	410,910	35,374	446,284
Unrealized gain on investments	451,952	31,474	483,426
	<u>2,916,448</u>	<u>79,191</u>	<u>2,995,639</u>
Net assets released from restrictions	79,191	(79,191)	0
Total Revenues, Gains and Other Support	<u>2,995,639</u>	<u>0</u>	<u>2,995,639</u>
EXPENSES			
Program services - House and Family Rooms	1,216,526		1,216,526
Management and general	194,614		194,614
Fund-raising	246,795		246,795
Total Expenses	<u>1,657,935</u>	<u>0</u>	<u>1,657,935</u>
CHANGE IN NET ASSETS	1,337,704	0	1,337,704
NET ASSETS, JANUARY 1	<u>11,101,247</u>	<u>511,250</u>	<u>11,612,497</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 12,438,951</u></u>	<u><u>\$ 511,250</u></u>	<u><u>\$ 12,950,201</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, 2020
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	<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>2020</u>	<u>2019</u>
Salaries	\$ 414,509	\$ 75,180	\$ 187,612	\$ 677,301	\$ 630,323	
Payroll taxes	34,554	6,267	15,640	56,461	57,456	
Employee benefits	46,542	8,910	24,106	79,558	73,507	
House supplies	24,768			24,768	41,396	
Insurance	15,515	8,258	1,251	25,024	22,556	
Cleaning	3,562	111	37	3,710	2,700	
Utilities	38,999	1,218	406	40,623	46,329	
Maintenance and repairs	76,522	2,391	797	79,710	43,216	
Contract services	106,496	3,329	1,109	110,934	96,603	
Dues and subscriptions	1,042	417	625	2,084	2,802	
General and administrative	3,252	3,252		6,504	11,532	
Travel	1,958	327	980	3,265	6,037	
Meetings and seminars	2,522	425	91	3,038	3,549	
Office supplies	6,044	3,023	3,023	12,090	13,817	
Donated materials	70,514	7,835		78,349	284,737	
Telephone	4,125	835	261	5,221	5,551	
Postage	4,042	3,032	13,138	20,212	24,666	
Marketing	2,336	194	2,336	4,866	7,326	
Professional fees	5,592	47,529	2,796	55,917	54,043	
Guest hotel stays	65,173			65,173	0	
Volunteer recognition	550			550	4,640	
Depreciation	179,502	5,609	1,870	186,981	225,149	
	<u>\$ 1,108,119</u>	<u>\$ 178,142</u>	<u>\$ 256,078</u>	<u>\$ 1,542,339</u>	<u>\$ 1,657,935</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

	<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>	
Salaries	\$ 385,758	\$ 69,966	\$ 174,599	\$ 630,323
Payroll taxes	35,163	6,378	15,915	57,456
Employee benefits	43,001	8,233	22,273	73,507
House supplies	41,396			41,396
Insurance	13,985	7,443	1,128	22,556
Cleaning	2,592	81	27	2,700
Utilities	44,475	1,390	464	46,329
Maintenance and repairs	41,488	1,296	432	43,216
Contract services	92,738	2,899	966	96,603
Dues and subscriptions	1,402	560	840	2,802
General and administrative	5,766	5,766		11,532
Travel	3,622	604	1,811	6,037
Meetings and seminars	2,946	497	106	3,549
Office supplies	6,909	3,454	3,454	13,817
Donated materials	256,263	28,474		284,737
Telephone	4,385	888	278	5,551
Postage	4,933	3,700	16,033	24,666
Marketing	3,516	294	3,516	7,326
Professional fees	5,404	45,937	2,702	54,043
Volunteer recognition	4,640			4,640
Depreciation	216,144	6,754	2,251	225,149
	<u>\$ 1,216,526</u>	<u>\$ 194,614</u>	<u>\$ 246,795</u>	<u>\$ 1,657,935</u>

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

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,316,938	\$ 1,337,704
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	186,981	225,149
Realized gain on investments	(404,402)	(446,284)
Unrealized gain on investments	(682,031)	(483,426)
Donated property and equipment	(74,100)	(18,772)
Loss on disposal of assets	52,517	3,627
Changes in assets and liabilities		
Contributions receivable	(1,878)	(9,939)
Due from RMHC - Global	15,918	(11,696)
Prepaid expenses	(4,837)	3,648
Accounts payable	7,213	(6,350)
Accrued expenses	(17,701)	6,468
Net Cash Provided by Operating Activities	<u>394,618</u>	<u>600,129</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,633,818	1,660,226
Purchases of investments	(3,981,666)	(2,056,981)
Purchases of property, furniture and equipment	(525,680)	(67,282)
Net Cash Used in Investing Activities	<u>(873,528)</u>	<u>(464,037)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	190,710	0
Net Cash Provided by Financing Activities	<u>190,710</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(288,200)	136,092
CASH AND EQUIVALENTS, JANUARY 1	<u>2,398,393</u>	<u>2,262,301</u>
CASH AND EQUIVALENTS, DECEMBER 31	<u><u>\$ 2,110,193</u></u>	<u><u>\$ 2,398,393</u></u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY

NON CASH OPERATING ACTIVITIES		
In-kind contribution of goods and services	<u>\$ 181,603</u>	<u>\$ 327,618</u>
In-kind contribution for fund-raising activities	<u>\$ 53,425</u>	<u>\$ 123,621</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, 2020 AND 2019

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, net assets for guest assistance, 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 \$653,000 at December 31, 2020.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019.

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, 2020 AND 2019

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, 2020 and 2019.

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, 2020 AND 2019

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 \$181,603 and \$327,618 for the years ended December 31, 2020 and 2019, 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 \$53,425 and \$123,621 for the years ended December 31, 2020 and 2019, respectively.

Donated assets are recorded at fair market value on the date of donation and totaled \$74,100 and \$18,772 during the years ended December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 AND 2019

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 \$10,412,829 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, 2020 and 2019 are summarized as follows:

	Investments at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
<i>Without donor restrictions:</i>				
Bond mutual fund	\$ 2,012,327	\$ 0	\$ 0	\$ 2,012,327
Equity mutual funds	5,715,948			5,715,948
	7,728,275	0	0	7,728,275
<i>With donor restrictions:</i>				
Equity security	506,250			506,250
	506,250	0	0	506,250
	\$ 8,234,525	\$ 0	\$ 0	\$ 8,234,525

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

NOTE 3 Investments (Continued)

	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
	6,293,994	0	0	6,293,994
 <i>With donor restrictions:</i>				
Equity mutual funds	31,844			31,844
Equity security	474,406			474,406
	506,250	0	0	506,250
	\$ 6,800,244	\$ 0	\$ 0	\$ 6,800,244

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,	
	2020	2019
Interest and dividend income	\$ 328,298	\$ 337,011
Realized/unrealized gain	1,086,433	929,710
	\$ 1,414,731	\$ 1,266,721

NOTE 4 Property, Furniture and Equipment

	December 31,	
	2020	2019
Land	\$ 305,891	\$ 305,891
Building and improvements	6,097,645	5,735,732
Furniture and fixtures	401,138	428,931
Equipment	298,295	262,664
Family room furniture	12,861	28,990
Construction in progress	34,500	16,743
	7,150,330	6,778,951
Less accumulated depreciation	3,056,551	3,045,454
	\$ 4,093,779	\$ 3,733,497

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

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.

Subsequent to December 31, 2020, the Organization completed the purchase of two properties adjacent to its current facility. The total cost of the purchase, excluding settlement fees, was \$560,000.

Depreciation expense for the years ended December 31, 2020 and 2019 was \$186,981 and \$225,149, 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, 2020 AND 2019

NOTE 5 Endowments (Continued)

Following are the changes in the endowment net assets for the years ended December 31, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at January 1, 2019	\$ 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
Contributions	22,917		22,917
Investment Income			
Interest & dividends	154,088	12,239	166,327
Unrealized gain	339,344	26,246	365,590
Realized gain	189,500	16,376	205,876
Total investment income	682,932	54,861	737,793
Appropriations		(54,861)	(54,861)
Endowment net assets at December 31, 2020	\$ 3,821,122	\$ 506,250	\$ 4,327,372

NOTE 6 Net Assets with Donor Restrictions

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

	December 31,	
	2020	2019
Subject to expenditure for specific purpose:		
House operations	\$ 0	\$ 5,000
Subject to the Organization's appropriation:		
Original donor-restricted gift required to be maintained in perpetuity by donor	506,250	506,250
	\$ 506,250	\$ 511,250

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

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,	
	2020	2019
Purpose restrictions accomplished:		
House operations	\$ 59,861	\$ 79,191

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,	
	2020	2019
Board-designated endowment	\$ 3,821,122	\$ 3,115,273
General capital reserve	272,575	272,575
House renovation	0	476,480
Expansion of family room at Hershey Medical	0	500,000
Hotel stays for House guests	42,435	0
	\$ 4,136,132	\$ 4,364,328

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, 2021. Interest on outstanding borrowings is payable at the bank’s prime rate. There were no borrowings against the line as of December 31, 2020 and 2019, respectively.

NOTE 10 Paycheck Protection Program Loan

In April 2020, the Organization received a Paycheck Protection Program (“PPP”) loan totaling \$190,710. The loan bears interest at a fixed rate of 1% per annum, as a term of two years, and is unsecured and guaranteed by the Small Business Administration (“SBA”).

The principal amount of the loan is subject to forgiveness under the PPP upon the Organization’s request to the extent that the loan proceeds are used to pay expenses permitted by the PPP. The Organization has applied for forgiveness of the loan with respect to the covered expenses. The Organization will recognize the forgiven portion of the loan upon notification of forgiveness by the SBA.

Subsequent to December 31, 2020, the Organization applied for and received a second PPP loan totaling \$190,710. The loan has the same terms as the original PPP loan received in April 2020 and the Organization intends to apply for forgiveness with respect to the covered expenses.

RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2020 AND 2019

NOTE 11 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, 2020 and 2019, the Organization received \$263,786 and \$202,330, respectively, from these revenue streams.

At December 31, 2020 and 2019, the Organization had \$19,130 and \$35,408 respectively, due from RMHC-Global.

NOTE 12 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 \$15,851 and \$13,614 for the years ended December 31, 2020 and 2019, respectively.

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 June 10, 2021, the date the financial statements were available to be issued. Except as disclosed in Note 4 and Note 10, no events or transactions have occurred that would require recognition or disclosure in the financial statements.

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, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.