



*Ronald McDonald  
House Charities of  
Central Pennsylvania*

*December 31, 2021 and 2020*

*Financial Statements and Independent Auditor's Report*

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**DECEMBER 31, 2021 AND 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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 9, 2022

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,231,889	\$ 2,110,193
Contributions receivable	20,337	24,342
Due from RMHC - Global	24,323	19,130
Investments, at fair value	9,219,735	8,234,525
Prepaid expenses	24,487	24,639
Total Current Assets	10,520,771	10,412,829
<b>PROPERTY, FURNITURE AND EQUIPMENT, NET</b>	5,168,271	4,093,779
Total Assets	\$ 15,689,042	\$ 14,506,608
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 64,680	\$ 7,805
Accrued expenses	36,386	40,954
Paycheck Protection Program loan	190,710	190,710
Total Liabilities	291,776	239,469
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	10,220,885	9,624,757
Board designated for endowment	4,324,236	3,821,122
Board designated for guest assistance	0	42,435
Board designated for expansion and capital improvements	272,575	272,575
Total Net Assets Without Donor Restrictions	14,817,696	13,760,889
With donor restrictions		
Total Net Assets	579,570	506,250
Total Liabilities and Net Assets	\$ 15,689,042	\$ 14,506,608

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, 2021**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 1,085,775	\$ 78,000	\$ 1,163,775	1,147,746
Bequests	92,776		92,776	23,587
Fund-raising events	215,335		215,335	216,036
Guest donations	3,241		3,241	5,265
Donated goods and services	294,034		294,034	181,603
Interest and dividend income	578,588	11,943	590,531	328,298
Loss on disposal of fixed assets	(1,753)		(1,753)	(52,517)
Paycheck Protection Program loan forgiveness income	190,710		190,710	0
Miscellaneous	3,629		3,629	241
Realized gain on investments	234,703	15,068	249,771	404,402
Unrealized gain (loss) on investments	(120,781)	106,472	(14,309)	682,031
	<u>2,576,257</u>	<u>211,483</u>	<u>2,787,740</u>	<u>2,936,692</u>
Net assets released from restrictions	138,163	(138,163)	0	0
Total Revenues, Gains and Other Support	<u>2,714,420</u>	<u>73,320</u>	<u>2,787,740</u>	<u>2,936,692</u>
<b>EXPENSES</b>				
Program services - House and Family Rooms	1,115,025		1,115,025	1,108,119
Management and general	185,645		185,645	178,142
Fund-raising	261,556		261,556	256,078
Cost of direct benefits to donors	95,387		95,387	77,415
Total Expenses	<u>1,657,613</u>	<u>0</u>	<u>1,657,613</u>	<u>1,619,754</u>
<b>CHANGE IN NET ASSETS</b>	1,056,807	73,320	1,130,127	1,316,938
<b>NET ASSETS, JANUARY 1</b>	<u>13,760,889</u>	<u>506,250</u>	<u>14,267,139</u>	<u>12,950,201</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 14,817,696</u>	<u>\$ 579,570</u>	<u>\$ 15,397,266</u>	<u>\$ 14,267,139</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, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 1,147,746	\$ 0	\$ 1,147,746
Bequests	23,587		23,587
Fund-raising events	216,036		216,036
Guest donations	5,265		5,265
Donated goods and services	181,603		181,603
Interest and dividend income	316,059	12,239	328,298
Loss on disposal of fixed assets	(52,517)		(52,517)
Miscellaneous	241		241
Realized gain on investments	378,156	26,246	404,402
Unrealized gain on investments	665,655	16,376	682,031
	<u>2,881,831</u>	<u>54,861</u>	<u>2,936,692</u>
Net assets released from restrictions	59,861	(59,861)	0
Total Revenues, Gains and Other Support	<u>2,941,692</u>	<u>(5,000)</u>	<u>2,936,692</u>
<b>EXPENSES</b>			
Program services - House and Family Rooms	1,108,119		1,108,119
Management and general	178,142		178,142
Fund-raising	256,078		256,078
Cost of direct benefits to donors	77,415		77,415
Total Expenses	<u>1,619,754</u>	<u>0</u>	<u>1,619,754</u>
<b>CHANGE IN NET ASSETS</b>	1,321,938	(5,000)	1,316,938
<b>NET ASSETS, JANUARY 1</b>	<u>12,438,951</u>	<u>511,250</u>	<u>12,950,201</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 13,760,889</u></u>	<u><u>\$ 506,250</u></u>	<u><u>\$ 14,267,139</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, 2021**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<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>Cost of Direct Benefits to Donors</u>	<u>2021</u>	<u>2020</u>
Salaries	\$ 419,670	\$ 76,116	\$ 189,948	\$ 0	\$ 685,734	\$ 677,301
Payroll taxes	35,956	6,522	16,275		58,753	56,461
Employee benefits	52,723	10,094	27,308		90,125	79,558
House supplies	38,190			2,230	40,420	31,516
Insurance	16,085	8,562	1,297		25,944	25,024
Cleaning	3,562	111	37		3,710	3,710
Utilities	36,519	1,141	379		38,039	40,623
Maintenance and repairs	31,219	976	325		32,520	79,710
Contract services	151,773	4,744	1,581	18,269	176,367	128,176
Dues and subscriptions	436	175	262		873	2,084
General and administrative	8,547	8,548		1,753	18,848	6,504
Travel	997	166	499	152	1,814	3,265
Meetings and seminars	6,819	1,150	246		8,215	3,038
Office supplies	11,369	5,686	5,684		22,739	12,090
Donated materials	46,381	5,153		50,890	102,424	119,599
Facility rental				3,275	3,275	0
Food and beverage				12,047	12,047	0
Telephone	4,856	983	307		6,146	5,221
Postage	3,820	2,864	12,412		19,096	20,212
Marketing	261	21	260	6,771	7,313	17,041
Professional fees	5,489	46,656	2,744		54,889	55,917
Guest hotel stays	44,851				44,851	65,173
Volunteer recognition	4,231				4,231	550
Depreciation	191,271	5,977	1,992		199,240	186,981
	<u>\$ 1,115,025</u>	<u>\$ 185,645</u>	<u>\$ 261,556</u>	<u>\$ 95,387</u>	<u>\$ 1,657,613</u>	<u>\$ 1,619,754</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**

	<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>Cost of Direct Benefits to Donors</u>		
Salaries	\$ 414,509	\$ 75,180	\$ 187,612	\$ 0	\$ 677,301	
Payroll taxes	34,554	6,267	15,640		56,461	
Employee benefits	46,542	8,910	24,106		79,558	
House supplies	24,768			6,748	31,516	
Insurance	15,515	8,258	1,251		25,024	
Cleaning	3,562	111	37		3,710	
Utilities	38,999	1,218	406		40,623	
Maintenance and repairs	76,522	2,391	797		79,710	
Contract services	106,496	3,329	1,109	17,242	128,176	
Dues and subscriptions	1,042	417	625		2,084	
General and administrative	3,252	3,252			6,504	
Travel	1,958	327	980		3,265	
Meetings and seminars	2,522	425	91		3,038	
Office supplies	6,044	3,023	3,023		12,090	
Donated materials	70,514	7,835		41,250	119,599	
Telephone	4,125	835	261		5,221	
Postage	4,042	3,032	13,138		20,212	
Marketing	2,336	194	2,336	12,175	17,041	
Professional fees	5,592	47,529	2,796		55,917	
Guest hotel stays	65,173				65,173	
Volunteer recognition	550				550	
Depreciation	179,502	5,609	1,870		186,981	
	<u>\$ 1,108,119</u>	<u>\$ 178,142</u>	<u>\$ 256,078</u>	<u>\$ 77,415</u>	<u>\$ 1,619,754</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>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,130,127	\$ 1,316,938
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	199,240	186,981
Realized gain on investments	(249,771)	(404,402)
Unrealized (gain) loss on investments	14,309	(682,031)
Paycheck Protection Program loan forgiveness income	(190,710)	0
Donated property and equipment	(220,000)	(74,100)
Loss on disposal of assets	1,753	52,517
Changes in assets and liabilities		
Contributions receivable	4,005	(1,878)
Due from RMHC - Global	(5,193)	15,918
Prepaid expenses	152	(4,837)
Accounts payable	56,875	7,213
Accrued expenses	(4,568)	(17,701)
Net Cash Provided by Operating Activities	<u>736,219</u>	<u>394,618</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,470,396	3,633,818
Purchases of investments	(2,220,144)	(3,981,666)
Purchases of property, furniture and equipment	<u>(1,055,485)</u>	<u>(525,680)</u>
Net Cash Used in Investing Activities	<u>(1,805,233)</u>	<u>(873,528)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	<u>190,710</u>	<u>190,710</u>
Net Cash Provided by Financing Activities	<u>190,710</u>	<u>190,710</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(878,304)	(288,200)
<b>CASH AND EQUIVALENTS, JANUARY 1</b>	<u>2,110,193</u>	<u>2,398,393</u>
<b>CASH AND EQUIVALENTS, DECEMBER 31</b>	<u>\$ 1,231,889</u>	<u>\$ 2,110,193</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY**

<b>NON CASH OPERATING ACTIVITIES</b>		
In-kind contribution of goods and services	<u>\$ 294,034</u>	<u>\$ 181,603</u>
In-kind contribution for fund-raising activities	<u>\$ 57,400</u>	<u>\$ 53,425</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, 2021 AND 2020**

**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 \$529,000 at December 31, 2021.

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**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, 2021 and 2020.

**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, 2021 AND 2020**

**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, 2021 and 2020.

**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, 2021 AND 2020**

**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 \$294,034 and \$181,603 for the years ended December 31, 2021 and 2020, 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 \$57,400 and \$53,425 for the years ended December 31, 2021 and 2020, respectively.

Donated assets are recorded at fair market value on the date of donation and totaled \$220,000 and \$74,100 during the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 AND 2020**

**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 \$10,520,771 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, 2021 and 2020 are summarized as follows:

	<b><u>Investments at Fair Value as of December 31, 2021</u></b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
<b><i>Without donor restrictions:</i></b>				
Bond mutual fund	\$ 2,633,892	\$ 0	\$ 0	\$ 2,633,892
Equity mutual funds	6,021,593			6,021,593
	<u>8,655,485</u>	<u>0</u>	<u>0</u>	<u>8,655,485</u>
<b><i>With donor restrictions:</i></b>				
Equity mutual funds	1,609			1,609
Equity security	562,641			562,641
	<u>564,250</u>	<u>0</u>	<u>0</u>	<u>564,250</u>
	<u>\$ 9,219,735</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,219,735</u>

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 3 Investments (Continued)**

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

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,	
	2021	2020
Interest and dividend income	\$ 590,531	\$ 328,298
Realized/unrealized gain	235,462	1,086,433
	\$ 825,993	\$ 1,266,721

**NOTE 4 Property, Furniture and Equipment**

	December 31,	
	2021	2020
Land	\$ 1,303,081	\$ 305,891
Building and improvements	6,385,236	6,097,645
Furniture and fixtures	401,138	401,138
Equipment	279,284	298,295
Family room furniture	12,861	12,861
Construction in progress	0	34,500
	8,381,600	7,150,330
Less accumulated depreciation	3,213,329	3,056,551
	\$ 5,168,271	\$ 4,093,779



**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4      Property, Furniture and Equipment (Continued)**

Depreciation expense for the years ended December 31, 2021 and 2020 was \$199,240 and \$186,981, 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, 2021 AND 2020**

**NOTE 5 Endowments (Continued)**

Following are the changes in the endowment net assets for the years ended December 31, 2021 and 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets at January 1, 2020	\$ 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
Contributions	164,522	58,000	222,522
Investment Income			
Interest & dividends	290,263	11,943	302,206
Unrealized gain (loss)	(67,481)	106,472	38,991
Realized gain	115,810	15,068	130,878
Total investment income	338,592	133,483	472,075
Appropriations		(133,483)	(133,483)
Endowment net assets at December 31, 2021	\$ 4,324,236	\$ 564,250	\$ 4,888,486

**NOTE 6 Net Assets with Donor Restrictions**

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Subject to expenditure for specific purpose:</b>		
House operations	\$ 15,320	\$ 0
<b>Subject to the Organization's appropriation:</b>		
Original donor-restricted gift required to be maintained in perpetuity by donor	564,250	506,250
	<u>\$ 579,570</u>	<u>\$ 506,250</u>

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**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:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Purpose restrictions accomplished:</b>		
House operations	\$ 138,163	\$ 59,861

**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:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Board-designated endowment	\$ 4,324,236	\$ 3,821,122
General capital reserve	272,575	272,575
Hotel stays for House guests	0	42,435
	\$ 4,596,811	\$ 4,136,132

**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, 2022. Interest on outstanding borrowings is payable at the bank's prime rate. There were no borrowings against the line as of December 31, 2021 and 2020, respectively.

**NOTE 10 Paycheck Protection Program Loans**

In 2020, the Organization received a Paycheck Protection Program ("PPP") loan totaling \$190,710. The loan had interest a fixed interest rate of 1% per annum, a term of two years, and was unsecured and guaranteed by the Small Business Administration ("SBA"). The principal amount of the loan was 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. In 2021, the loan was forgiven in full by the SBA. As such, the Organization has recognized \$190,710 as loan forgiveness income for the year ended December 31, 2021.

In 2021, 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 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. Subsequent to December 31, 2021, the Organization applied for and received forgiveness of the full loan amount by the SBA.

**RONALD McDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**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, 2021 and 2020, the Organization received \$165,336 and \$263,786, respectively, from these revenue streams.

At December 31, 2021 and 2020, the Organization had \$24,323 and \$19,130 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 \$16,699 and \$15,851 for the years ended December 31, 2021 and 2020, 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 9, 2022, the date the financial statements were available to be issued. Except as disclosed in 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.