

**RONALD MCDONALD HOUSE CHARITIES OF
CENTRAL PENNSYLVANIA**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022



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**RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
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YEARS ENDED DECEMBER 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities of Central Pennsylvania
Hershey, 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, 2023 and 2022, 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 for the years ended December 31, 2023 and 2022, and the changes in its net assets 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 those standards are further described in the Auditors' Responsibilities for the Audits 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 audit. 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 the 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.

Auditors' 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 auditors' 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 audit, significant audit findings, and certain internal control related matters that we identified during the audits.



CliftonLarsonAllen LLP

Bethlehem, Pennsylvania
June 7, 2024

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 879,101	\$ 1,041,691
Contributions Receivable	14,603	14,148
Due from RMHC - Global	24,421	21,455
Investments, at Fair Value	4,718,123	3,482,974
Prepaid Expenses	41,647	27,104
Total Current Assets	5,677,895	4,587,372
PROPERTY, FURNITURE, AND EQUIPMENT, NET	5,015,274	5,203,483
OTHER ASSETS		
Investments Held for Endowment, at Fair Value	5,101,576	4,040,996
Total Assets	\$ 15,794,745	\$ 13,831,851
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 23,113	\$ 10,200
Accrued Expenses	47,122	37,942
Total Liabilities	70,235	48,142
NET ASSETS		
Without Donor Restrictions:		
Undesignated	10,330,359	9,470,138
Board-Designated for Endowment	4,537,326	3,476,746
Board-Designated for Expansion and Capital Improvements	272,575	272,575
Total Without Donor Restrictions	15,140,260	13,219,459
With Donor Restrictions	584,250	564,250
Total Net Assets	15,724,510	13,783,709
Total Liabilities and Net Assets	\$ 15,794,745	\$ 13,831,851

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 964,375	\$ 20,000	\$ 984,375
Bequests	732,703	-	732,703
Fundraising Events	569,870	-	569,870
Guest Donations	14,520	-	14,520
Contributions of Nonfinancial Assets	238,680	-	238,680
Contributions of Nonfinancial Assets - Fundraising Events	80,573	-	80,573
Loss on Disposal of Fixed Assets	(12,401)	-	(12,401)
Paycheck Protection Program Loan Forgiveness Income			-
Employee Retention Tax Credits	124,503		124,503
Miscellaneous	26	-	26
Interest and Dividend Income	250,393	11,577	261,970
Unrealized Loss on Investments	1,079,733	71,148	1,150,881
Total	<u>4,042,975</u>	<u>102,725</u>	<u>4,145,700</u>
Net Assets Released from Restrictions	<u>82,725</u>	<u>(82,725)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	4,125,700	20,000	4,145,700
EXPENSES			
Program Services - House and Family Rooms	1,317,775	-	1,317,775
Management and General	264,022	-	264,022
Fundraising	387,717	-	387,717
Cost of Direct Benefits to Donors	235,385	-	235,385
Total Expenses	<u>2,204,899</u>	<u>-</u>	<u>2,204,899</u>
CHANGE IN NET ASSETS	1,920,801	20,000	1,940,801
Net Assets - Beginning of Year	<u>13,219,459</u>	<u>564,250</u>	<u>13,783,709</u>
NET ASSETS - END OF YEAR	<u>\$ 15,140,260</u>	<u>\$ 584,250</u>	<u>\$ 15,724,510</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,074,576	\$ -	\$ 1,074,576
Bequests	30,712	-	30,712
Fundraising Events	492,884	-	492,884
Guest Donations	17,172	-	17,172
Contributions of Nonfinancial Assets	206,517	-	206,517
Contributions of Nonfinancial Assets - Fundraising Events	78,891	-	78,891
Paycheck Protection Program Loan Forgiveness Income	190,710	-	190,710
Miscellaneous	1,093	-	1,093
Interest and Dividend Income	216,741	11,985	228,726
Realized Gain on Investments	(24,326)	(1,998)	(26,324)
Unrealized Gain (Loss) on Investments	(1,885,277)	(6,910)	(1,892,187)
Total	399,693	3,077	402,770
Net Assets Released from Restrictions	18,397	(18,397)	-
Total Revenues, Gains, and Other Support	418,090	(15,320)	402,770
EXPENSES			
Program Services - House			
Program Services - House and Family Rooms	1,315,830	-	1,315,830
Management and general	203,839	-	203,839
Fundraising	288,081	-	288,081
Cost of Direct Benefits to Donors	208,577	-	208,577
Total Expenses	2,016,327	-	2,016,327
CHANGE IN NET ASSETS	(1,598,237)	(15,320)	(1,613,557)
Net Assets - Beginning of Year	14,817,696	579,570	15,397,266
NET ASSETS - END OF YEAR	\$ 13,219,459	\$ 564,250	\$ 13,783,709

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services		Supporting Services			Total
	House and Family Rooms	Management and General	Fundraising	Costs of Direct Benefits to Donors		
Salaries	\$ 389,652	\$ 106,889	\$ 261,537	\$ -	\$ 758,078	
Payroll Taxes	30,539	8,318	20,557	-	59,414	
Employee Benefits	54,541	20,229	24,394	-	99,164	
House Supplies	49,581	3,542	17,708	15,439	86,270	
Insurance	22,834	9,061	4,349	-	36,244	
Cleaning	3,058	96	32	-	3,186	
Utilities	63,242	1,976	659	-	65,877	
Maintenance and Repairs	106,861	3,339	1,113	-	111,313	
Contract Services	169,219	5,289	1,763	55,799	232,070	
Dues and Subscriptions	114	1,712	456	-	2,282	
Travel	3,671	5,506	3,059	1,712	13,948	
Meetings and Seminars	1,495	1,994	1,495	-	4,984	
Office Supplies	16,113	8,057	8,057	5,622	37,849	
Donated Materials	174,470	5,816	13,570	80,573	274,429	
Facility Rental	-	-	-	4,873	4,873	
Food and Beverage	-	-	400	70,057	70,457	
Telephone	1,864	378	118	-	2,360	
Postage	5,433	4,075	17,657	1,210	28,375	
Marketing	10,486	299	4,194	-	14,979	
Professional Fees	8,354	71,007	4,177	-	83,538	
Guest Hotel Stays	484	-	-	-	484	
Volunteer Recognition	6,323	206	344	100	6,973	
Depreciation	199,441	6,233	2,078	-	207,752	
Total Expenses by Function	\$ 1,317,775	\$ 264,022	\$ 387,717	\$ 235,385	\$ 2,204,899	

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services		Supporting Services		Total
	House and Family Rooms	Management and General	Fundraising	Cost of Direct Benefits to Donors	
Salaries	\$ 420,207	\$ 76,214	\$ 190,192	\$ -	\$ 686,613
Payroll Taxes	34,137	6,192	15,451	-	55,780
Employee Benefits	52,818	10,112	27,357	-	90,287
House Supplies	68,011	-	-	11,647	79,658
Insurance	15,468	8,233	1,247	-	24,948
Cleaning	3,562	111	37	-	3,710
Utilities	54,499	1,702	568	-	56,769
Maintenance and Repairs	78,296	2,447	816	-	81,559
Contract Services	205,746	6,431	2,143	52,509	266,829
Dues and Subscriptions	585	234	351	132	1,302
Travel	3,722	621	1,862	-	6,205
Meetings and Seminars	1,687	284	61	-	2,032
Office Supplies	13,393	10,237	3,158	1,034	27,822
Donated Materials	125,563	13,952	-	78,891	218,406
Facility Rental	-	-	-	4,525	4,525
Food and Beverage	-	-	4,924	59,589	64,513
Telephone	1,754	355	111	-	2,220
Postage	3,954	2,965	12,849	138	19,906
Marketing	21,638	1,802	21,637	-	45,077
Professional Fees	6,571	55,855	3,286	-	65,712
Guest Hotel Stays	8,264	-	-	-	8,264
Volunteer Recognition	1,027	-	-	112	1,139
Depreciation	194,928	6,092	2,031	-	203,051
Total Expenses by Function	\$ 1,315,830	\$ 203,839	\$ 288,081	\$ 208,577	\$ 2,016,327

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,940,801	\$ (1,613,557)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	207,752	203,051
Realized Loss on Investments	-	26,324
Unrealized (Gain) Loss on Investments	(1,150,881)	1,892,187
Paycheck Protection Program Loan Forgiveness Income	-	(190,710)
Loss on Disposal of Assets	12,401	-
Changes in Assets and Liabilities		
Contributions Receivable	(455)	6,189
Due from RMHC - Global	(2,966)	2,868
Prepaid Expenses	(14,543)	(2,616)
Accounts Payable	12,913	(54,481)
Accrued Expenses	9,180	1,556
Net Cash Provided by Operating Activities	1,014,202	270,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	-	737,699
Purchases of Investments	(1,144,848)	(960,445)
Purchases of Property, Furniture, and Equipment	(31,944)	(238,263)
Net Cash Used by Investing Activities	(1,176,792)	(461,009)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(162,590)	(190,198)
Cash and Cash Equivalents - Beginning of Year	1,041,691	1,231,889
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 879,101	\$ 1,041,691
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
In-Kind Contribution of Goods and Services	\$ 238,680	\$ 206,517
In-Kind Contribution for Fundraising Activities	\$ 80,573	\$ 78,891

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 fundraisers sponsored by McDonald's, contributions from businesses, foundations, individuals and service organizations, and fundraising 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 the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (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.

Net Assets 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.

Net Assets 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 \$354,000 at December 31, 2023.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022.

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
DECEMBER 31, 2023 AND 2022**

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. 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.

Contributions of Nonfinancial Assets

For the years ending December 31, 2023 and 2022, nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Food and Supplies	\$ 219,494	\$ 156,524
Donated Services	19,186	49,993
Fundraising Events	80,573	78,891
Total	<u>\$ 319,253</u>	<u>\$ 285,408</u>

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Nonfinancial Assets (Continued)

The Organization values food and supplies as well as items donated for fundraising events using the estimated selling price of similar products as well as information provided by the donor. Donated services are valued at the estimated cost to provide similar services to the Organization. Donated capital assets are valued based on appraisals performed by third-party valuation professionals.

A substantial portion of the nonfinancial contributions are used in the operation of the Ronald McDonald House. Assets contributed for fundraising events are used to promote and facilitate various special events during the year. 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.

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.

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, 2023 and 2022, 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
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Liquidity

At December 31, 2023 and 2022, the Organization had \$5,677,895 and \$4,587,372, respectively, 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.

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 previously reported net assets.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 7, 2024, the date the financial statements were available to be issued. No events or transactions have occurred that would require recognition or disclosure in the financial statements.

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, 2023 and 2022 are summarized as follows:

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS (CONTINUED)

	2023			
	Level 1	Level 2	Level 3	Total
Without Donor Restrictions:				
Money Market Funds	\$ 311,381	\$ -	\$ -	\$ 311,381
Certificates of Deposit	200,000	-	-	200,000
Bonds Mutual Fund	2,458,027	-	-	2,458,027
Equity Security	-	-	-	-
Equity Mutual Funds	6,206,175	-	-	6,206,175
Investments held in perpetual trust	-	-	79,866	79,866
Total Without Donor Restrictions	<u>9,175,583</u>	<u>-</u>	<u>79,866</u>	<u>9,255,449</u>
With Donor Restrictions:				
Bonds Mutual Fund	9,839	-	-	9,839
Equity Security	529,152	-	-	529,152
Equity Mutual Funds	25,259	-	-	25,259
Total With Donor Restrictions	<u>564,250</u>	<u>-</u>	<u>-</u>	<u>564,250</u>
Total Investments	<u>\$ 9,739,833</u>	<u>\$ -</u>	<u>\$ 79,866</u>	<u>\$ 9,819,699</u>

	2022			
	Level 1	Level 2	Level 3	Total
Without Donor Restrictions:				
Bonds Mutual Fund	\$ 1,981,560	\$ -	\$ -	\$ 1,981,560
Equity Security	1,555	-	-	1,555
Equity Mutual Funds	4,906,182	-	-	4,906,182
Investments held in perpetual trust	-	-	70,423	70,423
Total Without Donor Restrictions	<u>6,889,297</u>	<u>-</u>	<u>70,423</u>	<u>6,959,720</u>
With Donor Restrictions:				
Equity Security	564,250	-	-	564,250
Total With Donor Restrictions	<u>564,250</u>	<u>-</u>	<u>-</u>	<u>564,250</u>
Total Investments	<u>\$ 7,453,547</u>	<u>\$ -</u>	<u>\$ 70,423</u>	<u>\$ 7,523,970</u>

Prior to 2022, the Organization invested funds into the Foundation for Enhancing Communities. The Foundation has since managed the investment and issues distributions back to the Organization on an annual basis. As the Organization cannot monitor the underlying assets of the funds held by the Foundation, they have been treated as level 3 investments. The following table sets forth a summary of the changes in fair value of this investment for the years ended December 31, 2023 and 2022:

	2023	2022
Balance - January 1	\$ 70,423	\$ 91,562
Distributions	(3,945)	(3,709)
Investment Return	13,388	(17,430)
Balance - December 31	<u>\$ 79,866</u>	<u>\$ 70,423</u>

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NOTE 3 INVESTMENTS (CONTINUED)

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, inclusive of interest earned on the Organization's checking, savings, and money market accounts, for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income, Net	\$ 261,970	\$ 228,726
Realized/Unrealized Gain (Loss)	1,150,881	(1,918,511)
Total	<u>\$ 1,412,851</u>	<u>\$ (1,689,785)</u>

NOTE 4 PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,344,696	\$ 1,344,696
Building and Improvements	6,518,940	6,521,716
Equipment	339,706	339,452
Furniture and Fixtures	401,138	401,138
Family Room Furniture	12,861	12,861
Subtotal	<u>8,617,341</u>	<u>8,619,863</u>
Less: Accumulated Depreciation	<u>3,602,067</u>	<u>3,416,380</u>
Total Property and Equipment	<u>\$ 5,015,274</u>	<u>\$ 5,203,483</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$207,752 and \$203,051, 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. All contributions provided by donors which have been solicited for the endowment may be held in perpetuity. Interest, dividends, gains and losses are restricted for House operating expenses and therefore, also reported as net assets with donor restrictions until appropriated.

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NOTE 5 ENDOWMENTS (CONTINUED)

In addition, the Organization's Board of Directors established a separate endowment fund during the year ended December 31, 2013. The board of directors 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 directors, which govern both of the Organization's endowments. The primary objective of these policies is to produce a total return which will permit maximum support for the general operating fund of the Organization to the extent that it is consistent with (a) prudent management of investments, (b) preservation of principal and (c) potential for long-term asset growth.

Spending Policy

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

Following are the changes in the endowment net assets for the years ended December 31, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - January 1, 2022	\$ 4,324,236	\$ 564,250	\$ 4,888,486
Contributions	-	-	-
Investment Income:			
Interest and Dividends	107,612	11,985	119,597
Unrealized Gain	(942,823)	(6,910)	(949,733)
Realized Gain	(12,279)	(1,998)	(14,277)
Total Investment Income	(847,490)	3,077	(844,413)
Appropriations	-	(3,077)	(3,077)
Endowment Net Assets - December 31, 2022	3,476,746	564,250	4,040,996
Contributions	732,703	-	732,703
Investment Income:			
Interest and Dividends	120,859	11,577	132,436
Unrealized Loss	548,461	71,148	619,609
Realized Loss	-	-	-
Total Investment Income	669,320	82,725	752,045
Appropriations	(341,443)	(82,725)	(424,168)
Endowment Net Assets - December 31, 2023	<u>\$ 4,537,326</u>	<u>\$ 564,250</u>	<u>\$ 5,101,576</u>

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NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specific Purpose:		
House Operations and Capital Projects	\$ 20,000	\$ -
Subject to the Organization's Appropriation:		
Original Donor-Restricted Gift Required to be		
Maintained in Perpetuity by Donor	564,250	564,250
Total	<u>\$ 584,250</u>	<u>\$ 564,250</u>

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 at December 31:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Accomplished:		
House Operations	\$ -	\$ 15,320
Appropriation of Endowment	82,725	3,077
	<u>\$ 82,725</u>	<u>\$ 18,397</u>

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 as of December 31:

	<u>2023</u>	<u>2022</u>
Board-Designated Endowment	\$ 4,537,326	\$ 3,476,746
General Capital Reserve	272,575	272,575
Total	<u>\$ 4,809,901</u>	<u>\$ 3,749,321</u>

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 December 31, 2024. Interest on outstanding borrowings is payable at the bank's prime rate. There were no borrowings against the line as of December 31, 2023 and 2022, respectively.

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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, 2023 and 2022, the Organization received \$125,236 and \$161,231, respectively, from these revenue streams.

At December 31, 2023 and 2022, the Organization had \$24,421 and \$21,455, 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 \$18,550 and \$15,609 for the years ended December 31, 2023 and 2022, respectively.



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