

**RONALD MCDONALD HOUSE CHARITIES OF
CENTRAL PENNSYLVANIA**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021



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**RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



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 statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 year ended December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Ronald McDonald House Charities of Central Pennsylvania as of December 31, 2021, were audited by Concannon Miller & Co., P.C., whose shareholders and professional staff joined CliftonLarsonAllen, LLP as of November 1, 2022 and has subsequently ceased operations. Concannon Miller & Co., P.C.'s report, dated June 9, 2022, expressed an unmodified opinion on those financial statements.

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 Audit 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 audit.



CliftonLarsonAllen LLP

Bethlehem, Pennsylvania
June 14, 2023

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,041,691	\$ 1,231,889
Contributions Receivable	14,148	20,337
Due from RMHC - Global	21,455	24,323
Investments, at Fair Value	3,482,974	4,331,249
Prepaid Expenses	27,103	24,487
Total Current Assets	4,587,371	5,632,285
PROPERTY, FURNITURE, AND EQUIPMENT, NET	5,203,483	5,168,271
OTHER ASSETS		
Investments Held for Endowment, at Fair Value	4,040,996	4,888,486
Total Assets	\$ 13,831,850	\$ 15,689,042
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 10,199	\$ 64,680
Accrued Expenses	37,942	36,386
Paycheck Protection Program Loan	-	190,710
Total Liabilities	48,141	291,776
NET ASSETS		
Without Donor Restrictions:		
Undesignated	9,470,138	10,220,885
Board-Designated for Endowment	3,476,746	4,324,236
Board-Designated for Expansion and Capital Improvements	272,575	272,575
Total Without Donor Restrictions	13,219,459	14,817,696
With Donor Restrictions	564,250	579,570
Total Net Assets	13,783,709	15,397,266
Total Liabilities and Net Assets	\$ 13,831,850	\$ 15,689,042

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR 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
Interest and Dividend Income	216,741	11,985	228,726
Paycheck Protection Program Loan Forgiveness Income	190,710	-	190,710
Miscellaneous	1,093	-	1,093
Realized Loss on Investments	(24,326)	(1,998)	(26,324)
Unrealized 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 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 ACTIVITIES
YEARS ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,085,775	\$ 78,000	\$ 1,163,775
Bequests	92,776	-	92,776
Fundraising Events	157,935	-	157,935
Guest Donations	3,241	-	3,241
Contributions of Nonfinancial Assets	294,034	-	294,034
Contributions of Nonfinancial Assets - Fundraising Events	57,400	-	57,400
Interest and Dividend Income	578,588	11,943	590,531
Loss on Disposal of Fixed Assets	(1,753)	-	(1,753)
Paycheck Protection Program Loan Forgiveness Income	190,710	-	190,710
Miscellaneous	3,629	-	3,629
Realized Gain on Investments	234,703	15,068	249,771
Unrealized Gain (Loss) on Investments	(120,781)	106,472	(14,309)
Total	2,576,257	211,483	2,787,740
Net Assets Released from Restrictions	138,163	(138,163)	-
Total Revenues, Gains, and Other Support	2,714,420	73,320	2,787,740
EXPENSES			
Program Services - House			
Program Services - House and Family Rooms	1,115,025	-	1,115,025
Management and general	185,645	-	185,645
Fundraising	261,556	-	261,556
Cost of Direct Benefits to Donors	95,387	-	95,387
Total Expenses	1,657,613	-	1,657,613
CHANGE IN NET ASSETS	1,056,807	73,320	1,130,127
Net Assets - Beginning of Year	13,760,889	506,250	14,267,139
NET ASSETS - END OF YEAR	\$ 14,817,696	\$ 579,570	\$ 15,397,266

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	Costs 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
General and Administrative	7,079	7,079	-	1,034	15,192
Travel	3,722	621	1,862	-	6,205
Meetings and Seminars	1,687	284	61	-	2,032
Office Supplies	6,314	3,158	3,158	-	12,630
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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services		Supporting Services		Total
	House and Family Rooms	Management and General	Fundraising	Cost of Direct Benefits to Donors	
Salaries	\$ 419,670	\$ 76,116	\$ 189,948	\$ -	\$ 685,734
Payroll Taxes	35,956	6,522	16,275	-	58,753
Employee Benefits	52,723	10,094	27,308	-	90,125
House Supplies	38,190	-	-	2,230	40,420
Insurance	16,085	8,562	1,297	-	25,944
Cleaning	3,562	111	37	-	3,710
Utilities	36,519	1,141	379	-	38,039
Maintenance and Repairs	31,219	976	325	-	32,520
Contract Services	151,773	4,744	1,581	18,269	176,367
Dues and Subscriptions	436	175	262	-	873
General and Administrative	8,547	8,548	-	1,753	18,848
Travel	997	166	499	152	1,814
Meetings and Seminars	6,819	1,150	246	-	8,215
Office Supplies	11,369	5,686	5,684	-	22,739
Donated Materials	46,381	5,153	-	50,890	102,424
Facility Rental	-	-	-	3,275	3,275
Food and Beverage	-	-	-	12,047	12,047
Telephone	4,856	983	307	-	6,146
Postage	3,820	2,864	12,412	-	19,096
Marketing	261	21	260	6,771	7,313
Professional Fees	5,489	46,656	2,744	-	54,889
Guest Hotel Stays	44,851	-	-	-	44,851
Volunteer Recognition	4,231	-	-	-	4,231
Depreciation	191,271	5,977	1,992	-	199,240
Total Expenses by Function	\$ 1,115,025	\$ 185,645	\$ 261,556	\$ 95,387	\$ 1,657,613

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,613,557)	\$ 1,130,127
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	203,051	199,240
Realized Loss (Gain) on Investments	26,324	(249,771)
Unrealized Loss on Investments	1,892,187	14,309
Paycheck Protection Program Loan Forgiveness Income	(190,710)	(190,710)
Donated Property and Equipment	-	(220,000)
Loss on Disposal of Assets	-	1,753
Changes in Assets and Liabilities:		
Contributions Receivable	6,189	4,005
Due from RMHC - Global	2,868	(5,193)
Prepaid Expenses	(2,616)	152
Accounts Payable	(54,481)	56,875
Accrued Expenses	1,556	(4,568)
Net Cash Provided by Operating Activities	270,811	736,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	737,699	1,470,396
Purchases of Investments	(960,445)	(2,220,144)
Purchases of Property, Furniture, and Equipment	(238,263)	(1,055,485)
Net Cash Used by Investing Activities	(461,009)	(1,805,233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	190,710
NET CHANGE IN CASH AND CASH EQUIVALENTS	(190,198)	(878,304)
Cash and Cash Equivalents - Beginning of Year	1,231,889	2,110,193
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,041,691	\$ 1,231,889
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
In-Kind Contribution of Goods and Services	\$ 206,517	\$ 294,034
In-Kind Contribution for Fundraising Activities	\$ 78,891	\$ 57,400

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 \$374,000 at December 31, 2022.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021.

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, 2022 AND 2021

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, 2022 and 2021, nonfinancial assets recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Food and Supplies	\$ 156,524	\$ 68,318
Donated Services	49,993	5,716
Fundraising Events	78,891	57,400
Donated Capital Assets	-	220,000
Total	<u>\$ 285,408</u>	<u>\$ 351,434</u>

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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, 2022 AND 2021

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.

Adoption of New Accounting Standards

The Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 had no significant impact on the financial statement presentation.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. The standard did not have an impact on the Organization's financial statements.

Liquidity

At December 31, 2022 and 2021, the Organization had \$4,587,371 and \$5,632,285, 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.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity (Continued)

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, 2022 and 2021 are summarized as follows:

	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	4,976,605	-	-	4,976,605
Total Without Donor Restrictions	6,959,720	-	-	6,959,720
With Donor Restrictions:				
Equity Security	564,250	-	-	564,250
Total With Donor Restrictions	564,250	-	-	564,250
Total Investments	\$ 7,523,970	\$ -	\$ -	\$ 7,523,970
	2021			
	Level 1	Level 2	Level 3	Total
Without Donor Restrictions:				
Bonds Mutual Fund	\$ 2,633,892	\$ -	\$ -	\$ 2,633,892
Equity Mutual Funds	6,021,593	-	-	6,021,593
Total Without Donor Restrictions	8,655,485	-	-	8,655,485
With Donor Restrictions:				
Equity Mutual Funds	1,609	-	-	1,609
Equity Security	562,641	-	-	562,641
Total With Donor Restrictions	564,250	-	-	564,250
Total Investments	\$ 9,219,735	\$ -	\$ -	\$ 9,219,735

Generally, for all equities and mutual funds, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 INVESTMENTS (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Interest and Dividend Income, Net	\$ 228,726	\$ 590,531
Realized/Unrealized Gain (Loss)	(1,918,511)	235,462
Total	<u>\$ (1,689,785)</u>	<u>\$ 825,993</u>

NOTE 4 PROPERTY, FURNITURE, AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 1,344,696	\$ 1,303,081
Building and Improvements	6,521,716	6,385,236
Furniture and Fixtures	401,138	401,138
Equipment	339,452	279,284
Family Room Furniture	12,861	12,861
Subtotal	<u>8,619,863</u>	<u>8,381,600</u>
Less: Accumulated Depreciation	<u>3,416,380</u>	<u>3,213,329</u>
Total Property and Equipment	<u>\$ 5,203,483</u>	<u>\$ 5,168,271</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$203,051 and \$199,240, 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.

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.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 ENDOWMENTS (CONTINUED)

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, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - January 1, 2021	\$ 3,821,122	\$ 506,250	\$ 4,327,372
Contributions	164,522	58,000	222,522
Investment Income:			
Interest and Dividends	290,263	11,943	302,206
Unrealized Gain	(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 - December 31, 2021	4,324,236	564,250	4,888,486
Contributions	-	-	-
Investment Income:			
Interest and Dividends	107,612	11,985	119,597
Unrealized Loss	(942,823)	(6,910)	(949,733)
Realized Loss	(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	<u>\$ 3,476,746</u>	<u>\$ 564,250</u>	<u>\$ 4,040,996</u>

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specific Purpose:		
House Operations	\$ -	\$ 15,320
Subject to the Organization's Appropriation:		
Original Donor-Restricted Gift Required to be		
Maintained in Perpetuity by Donor	564,250	564,250
Total	<u>\$ 564,250</u>	<u>\$ 579,570</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>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
House Operations	<u>\$ 18,397</u>	<u>\$ 138,163</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>2022</u>	<u>2021</u>
Board-Designated Endowment	\$ 3,476,746	\$ 4,324,236
General Capital Reserve	272,575	272,575
Total	<u>\$ 3,749,321</u>	<u>\$ 4,596,811</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, 2023. Interest on outstanding borrowings is payable at the bank's prime rate. There were no borrowings against the line as of December 31, 2022 and 2021, respectively.

RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 PAYCHECK PROTECTION PROGRAM LOANS

In 2020, the Organization received a Paycheck Protection Program (PPP) loan totaling \$190,710. The loan had a fixed interest rate of 1% per annum, a term of two years, and was unsecured and guaranteed by the U.S. 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 had the same terms as the original PPP loan received in April 2020 and 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 2022, 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, 2022.

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, 2022 and 2021, the Organization received \$161,231 and \$165,336, respectively, from these revenue streams.

At December 31, 2022 and 2021, the Organization had \$21,455 and \$24,323, 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 \$15,609 and \$16,699 for the years ended December 31, 2022 and 2021, 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.

**RONALD MCDONALD HOUSE CHARITIES OF CENTRAL PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 14, 2023, 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.