

**Financial Statements**

**RONALD MCDONALD HOUSE OF SCRANTON, INC.**

*For the years ended December 31, 2019  
with Independent Auditors' Report*

(with summarized financial information as of  
and for the year ended December 31, 2018)

## TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT.....	2-3
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION.....	4
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS.....	5
STATEMENT OF CASH FLOW.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-16
SUPPLEMENTAL INFORMATION	
SCHEDULE OF FUNCTIONAL EXPENSES.....	17-18

## INDEPENDENT AUDITOR'S REPORT

Board of Directors

Ronald McDonald House of Scranton, Inc.

We have audited the accompanying financial statements of the Ronald McDonald House of Scranton, Inc. (the "House"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ronald McDonald House as of December 31, 2019, 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 17 is presented for purposes additional analysis and is not required part of the

financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Report on Summarized Comparative Information**

We have previously audited the House's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Scranton, Pennsylvania  
October 19, 2020

**RONALD MCDONALD HOUSE OF SCRANTON, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	2019	2018
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 312,711	\$ 285,333
Investments, at fair value	2,280,443	2,236,009
Prepaid expenses	1,373	1,605
Total Current Assets	2,594,527	2,522,947
<b>PROPERTY AND EQUIPMENT, NET</b>	1,635,370	1,358,634
<b>INVESTMENTS, RESTRICTED, AT FAIR VALUE</b>	2,035,403	1,828,991
Total Assets	\$ 6,265,300	\$ 5,710,572
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accrued Wages	\$ 6,215	\$ 5,846
Deferred revenue	12,582	9,029
Total Liabilities	18,797	14,875
<b>NET ASSETS</b>		
Without donor restrictions	4,211,100	3,866,706
With Donor Restrictions	2,035,403	1,828,991
Total Net Assets	6,246,503	5,695,697
Total Liabilities and Net Assets	\$ 6,265,300	\$ 5,710,572

*See Notes to Financial Statements and Independent Auditor's Report*

**RONALD MCDONALD HOUSE OF SCRANTON, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		Total	2018 Total
	Without Donor Restrictions	With Donor Restrictions		
<b>SUPPORT AND REVENUE</b>				
Special events	\$ 182,383	\$ -	\$ 182,383	\$ 242,766
Contributions	487,183	-	487,183	227,898
Contributed services and supplies	-	-	-	8,231
Miscellaneous income	1,894	-	1,894	5,354
Investment income	33,447	48,719	82,166	109,747
Net assets released from restrictions	48,719	(48,719)	-	-
Total support and revenue	<u>753,626</u>	<u>-</u>	<u>753,626</u>	<u>593,996</u>
<b>OPERATING EXPENSES:</b>				
Program expenses	529,757	-	529,757	532,530
Management and general	62,351	-	62,351	63,693
Fundraising	106,558	-	106,558	120,418
Total operating expenses	<u>698,666</u>	<u>-</u>	<u>698,666</u>	<u>716,641</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	54,960	-	54,960	(122,645)
<b>INVESTMENT INCOME, NET</b>				
Net unrealized (losses) gains on investments	<u>289,434</u>	<u>206,412</u>	<u>495,846</u>	<u>(70,719)</u>
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	344,394	206,412	550,806	(193,364)
<b>NET ASSETS, BEGINNING</b>	<u>3,866,706</u>	<u>1,828,991</u>	<u>5,695,697</u>	<u>5,889,061</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 4,211,100</u>	<u>\$ 2,035,403</u>	<u>\$ 6,246,503</u>	<u>\$ 5,695,697</u>

**RONALD MCDONALD HOUSE OF SCRANTON, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	550,806	(193,364)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	131,207	122,333
In-kind contribution of property and equipment	-	(8,231)
Change in value of investments	(495,846)	21,966
Realized (gain) loss on investments	-	1,244
(Increase)/decrease in operating assets		
Prepaid expenses	232	(3,895)
Increase/(decrease) in operating liabilities		
Accrued payroll	369	4,416
Deferred revenue	(3,553)	4,759
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	183,215	(50,772)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	252,106	35,659
Purchases of investments	-	-
Purchases of property and equipment	(407,943)	(70,404)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(155,837)	(34,745)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	27,378	(85,517)
 <b>BEGINNING CASH AND CASH EQUIVALENTS</b>		
	285,333	370,850
 <b>ENDING CASH AND CASH EQUIVALENTS</b>		
	312,711	285,333
 <b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u></b>		
 <b>NON CASH OPERATING ACTIVITIES</b>		
In-kind contribution of services and supplies	\$ -	\$ -
In-kind contribution of property and equipment	-	8,231
	\$ -	\$ 8,231

*See Notes to Financial Statements and Independent Auditor's Report*

# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF THE ORGANIZATION

The Ronald McDonald House of Scranton, Inc. (the "Organization") is a Pennsylvania not-for-profit corporation formed in 1986. The mission of Ronald McDonald House is to create, find and support programs that directly improve the health and well-being of children and their families. Collectively, RMHC and the network of local Chapters ascribe to five core values: we focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following programs, operated by the Organization, represent the core functions of Ronald McDonald House.

#### **Ronald McDonald House**

When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in Scranton PA, which provide temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

#### **Ronald McDonald Family Room**

When a child is critically ill, parents may be reluctant to leave the hospital. In order to provide comfort and support to their child, it is important that parents have an opportunity to rest, have a meal or have a moment of quiet. Located inside medical care facilities, the Ronald McDonald Family Room programs in Moses Taylor Hospital, Geisinger Wyoming Valley, and Geisinger Community Medical Center serve as a place of respite, relaxation and privacy for family members, often just steps away from where their child is being treated. The Ronald McDonald Family Room program provides parents with an opportunity to remain close to their hospitalized child and to be an active member of their child's health care team.

#### **Basis of Presentation**

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.



# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. 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, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### Functional Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, interest, maintenance and repairs, rent, and utilities, which are allocated on a square footage basis; payroll taxes, meetings, education and training, office supplies, technology and telephone, which are allocated based on full-time equivalents; and salaries and wages and employee benefits, which are allocated on the basis of estimates of time and effort.

### Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	30 - 40 Years
Office Furniture and Equipment	5 - 7 Years
Vehicles	5 Years

### Valuation of Investments in Securities at Fair Value

The Organization complies with the provisions of FASB ASC 820, *Fair Value Measurement and Disclosures*. 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

# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

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.

### **Donated Assets, Property and Equipment , and Services**

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

### **Cash and Cash Equivalents**

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. For purposes of the statement of cash flow, cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less.

### **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 has been \$250,000 for substantially all depository accounts and unlimited coverage for certain qualifying and participant non-interest-bearing transaction accounts. The coverage was reduced on January 1, 2014 and the FDIC limit will return to \$250,000 for all accounts. From time to time, the Organization may have amounts on deposit in excess of the FDIC limits. Management believes the Organization is not exposed to any significant credit risk on its cash and cash equivalents.

# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

#### Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law.

#### 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.

### 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 guidance for uncertainty in income taxes using 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.

### Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Amounts received that are designated for future periods or restricted by donors for specific purposes are reported as with donor restricted net asset class. When a donor restriction expires, donor restricted net assets are classified as without donor restriction net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the House reports the support as without donor restrictions.

### Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

### Advertising

Advertising costs are charged when incurred. Total advertising costs for the years ended December 31, 2019 and 2018 were \$10,470 and \$12,472, respectively.

# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### Reclassification of Prior Year Financial Information

On the statement of activities and changes in net assets, certain items were reclassified from the prior year to conform to the current year reporting.

### Adoption of New Standard

The House has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes the presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes and liquidity.

### 2. CONCENTRATION OF CREDIT RISK

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The Federal Deposit Insurance Corporation insures amounts on deposit with any one financial institution up to \$250,000. At various times throughout the year, the Organization had on deposit with a bank, an amount that exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000 per depositor as of December 31, 2019 and 2018, respectively. The organization requires the banks with which it does business to provide collateral for amounts exceeding federal insurance coverage. At December 31, 2019 and 2018, the amount in excess of the insured limits was \$67,050.

### 3. PROPERTY AND EQUIPMENT

	December 31,	
	2019	2018
Land	\$ 134,000	\$ 134,000
Land improvements	83,847	83,847
Building	388,155	158,800
Building improvements	1,854,981	1,746,593
Furnishings and equipment	482,763	412,563
Vehicle	66,650	66,650
Total property & equipment	3,010,396	2,602,453
Less accumulated depreciation	(1,375,026)	(1,243,819)
Property & equipment (net)	<u>1,635,370</u>	<u>1,358,634</u>

Depreciation expense was \$131,208 and \$122,333 for the years ended December 31, 2019 and 2018, respectively.

# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### 4. FAIR VALUE MEASUREMENTS & INVESTMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is 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. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

#### Assets at Fair Value as of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 778,389	\$ 0	\$ 0	\$ 778,389
Fixed Income Securities	1,208,185	0	0	1,208,185
Money Market & Mutual Funds	<u>293,869</u>	<u>0</u>	<u>0</u>	<u>293,869</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 2,280,443</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,280,443</u>

#### Assets at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 635,037	\$ 0	\$ 0	\$ 635,037
Fixed Income Securities	1,189,021	0	0	1,189,021
Money Market & Mutual Funds	<u>411,951</u>	<u>0</u>	<u>0</u>	<u>411,951</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 2,236,009</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,236,009</u>

# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

### Investments

Investments at December 31 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Mutual funds - equity	\$ 2,280,443	\$ 2,236,009

Investment return on the above investments for the years ended December 31 is summarized as follows:

	<u>2019</u>	<u>2017</u>
Interest & Dividend Income	\$ 82,166	\$ 55,140
Unrealized gain/(loss) on investments	499,605	(110,188)
Realized gain/(loss) on investments	9,137	2,498
Investment Fees	<u>(12,896)</u>	<u>(8,958)</u>
Total	<u>\$ 578,012</u>	<u>\$ (61,508)</u>

Investment income has been reported in the accompanying statement of activities and changes in net assets as follows:

	<u>2019</u>	<u>2017</u>
Unrestricted net assets – Investment income	\$ 529,293	\$ (61,508)
Permanently restricted net assets – Investment income	<u>48,719</u>	<u>100,536</u>
Total	<u>\$ 578,012</u>	<u>\$ 39,028</u>

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.

### 5. DONOR-RESTRICTED ENDOWMENT

The Organization received a contribution of 10,000 shares of McDonald's Corporation stock in 1993. The contribution was recorded at \$531,250, 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 permanently restricted net assets. Gains and losses on the stock are restricted for House operating expenses and therefore, reported as temporarily restricted net assets until expensed. Dividend income derived from the stock is reported as unrestricted net assets in accordance with the terms of the donor's gift.

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

# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

	2019	2017
Donor-Restricted Endowment:		
Beginning of Year	\$ 1,828,971	\$ 1,807,283
Investment income		
Dividends	48,719	43,157
Appreciation	<u>206,412</u>	<u>57,379</u>
Total investment income	255,131	100,536
Appropriation of endowment assets for expenses	<u>(48,719)</u>	<u>(78,828)</u>
Donor-Restricted Endowment: End of Year	<u>\$ 2,035,383</u>	<u>\$ 1,828,991</u>

### 6. FUNCTIONAL EXPENSES

The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program, which provides temporary lodging, meals, and other support to children and their families. Expenses related to providing these services for the years ended December 31, 2019 & 2018 are as follows:

	2019	2018
Ronald McDonald House	\$ 384,260	\$ 377,163
Ronald McDonald Family Room	145,497	155,368
Management & General	62,351	63,693
Fundraising	<u>106,558</u>	<u>120,417</u>
Total	<u>\$ 698,666</u>	<u>\$ 716,641</u>

Total fund-raising expense for the year ended December 31, 2019 & 2018 was \$106,558 & \$120,417, respectively. Fund-raising expenses related to the annual campaign totaled \$71,632 or 39% of the total annual campaign contribution revenue.

### 7. CONTINGENCIES

As a not-for-profit corporation in the commonwealth of Pennsylvania, the House qualifies for an exemption from real property taxes; however, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have started and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter, if any, are not presently determinable.

### 8. NET ASSETS

The detail of the House's net asset categories at December 31, 2019 & 2018 are as follows:

# RONALD MCDONALD HOUSE OF SCRANTON, INC.

## NOTES TO FINANCIAL STATEMENTS

	2019	2018
Without donor restrictions		
Undesignated	\$ 4,211,100	\$ 3,866,706
With donor restrictions		
McDonald's corporation stock endowment	<u>2,035,403</u>	<u>1,828,991</u>
Total net assets	<u>\$ 6,246,503</u>	<u>\$ 5,695,697</u>

### 9. LIQUIDITY

The House regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash requirements are invested in money market funds, certificates of deposits and other short-term investments.

The following table reflects the House's financial assets as of December 31, 2019 & 2018 that are available to meet cash needs for operating expenditures within one year.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 312,711	\$ 285,333
Investments	<u>2,280,443</u>	<u>2,236,009</u>
Total	<u>\$ 2,593,154</u>	<u>\$ 2,521,342</u>

### 10. DONATED GOODS AND SERVICES

The fair value of donated goods and services included as contributions in the financial statements and the corresponding expense categories for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Furniture	\$ 30,000	\$ 8,321

### 12. COST ALLOCATION

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and supplies and telephone costs, which are allocated based on time and effort.

### 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2020, the date the financial statements were available to be issued, and has determined that with the exception to the item noted below, no material subsequent events exist that require disclosure. Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (Covid-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains,



# **RONALD MCDONALD HOUSE OF SCRANTON, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**RONALD MCDONALD HOUSE OF SCRANTON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	2019			
	Program Services			
	Ronald McDonald House	Ronald McDonald Family Room	Management and General	Total
	\$	\$	\$	\$
Salaries	97,726	72,075	36,454	169,802
Payroll taxes	8,155	6,015	3,042	14,170
Employee benefits	15,202	11,212	5,671	26,413
Family Support and Supplies	15,677	10,743	-	26,420
Housekeeping and other services	10,132	-	-	10,132
Insurance	19,162	2,254	1,127	21,417
Utilities	23,130	-	1,217	23,130
Maintenance and repairs	53,594	6,305	3,153	59,899
Travel meetins and training	1,787	1,787	447	3,574
Telephone	2,279	2,279	570	4,558
Advertising	5,759	4,188	524	9,947
Professional fees	4,098	2,980	373	7,078
Volunteer recognition	4,744	3,162	-	7,906
Depreciation	111,526	13,121	6,560	124,647
Miscellaneous	1,385	-	533	1,385
Office supplies and postage	7,190	5,303	2,682	12,493
Transportation	2,715	4,073	-	6,788
Fundraising	-	-	-	-
Total	<u>\$ 384,260</u>	<u>\$ 145,497</u>	<u>\$ 62,351</u>	<u>\$ 529,757</u>
			<u>\$ 63,726</u>	<u>\$ 106,558</u>
				<u>\$ 698,666</u>

See Notes to Financial Statements and Independent Auditor's Report

**RONALD MCDONALD HOUSE OF SCRANTON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

2018

	Program Services			Management and General		Fundraising	Total
	Ronald McDonald House	Ronald McDonald Family Room	Total	General	Fundraising		
Salaries	\$ 95,844	\$ 70,687	\$ 166,531	\$ 35,752	\$ 31,085	\$ 233,368	
Payroll taxes	8,058	5,943	14,001	3,005	2,614	19,620	
Employee benefits	19,073	14,068	33,140	7,113	6,186	46,440	
Family Support and Supplies	24,886	13,879	38,765	-	-	38,765	
Housekeeping and other services	5,674	-	5,674	-	-	5,674	
Insurance	18,840	2,217	21,057	1,108	-	22,165	
Utilities	23,764	-	23,764	1,251	-	25,015	
Maintenance and repairs	39,024	4,591	43,615	2,296	-	45,910	
Travel meetins and training	5,837	5,837	11,674	1,459	1,459	14,592	
Telephone	2,273	2,273	4,546	568	568	5,682	
Advertising	6,860	4,989	11,849	624	-	12,472	
Professional fees	3,988	2,900	6,888	363	-	7,250	
Volunteer recognition	4,598	3,065	7,663	-	-	7,663	
Depreciation	103,983	12,233	116,216	6,117	-	122,333	
Miscellaneous	1,057	-	1,057	407	163	1,627	
Office supplies and postage	9,734	7,179	16,913	3,631	3,157	23,702	
Transportation	3,671	5,507	9,178	-	-	9,178	
Fundraising	-	-	-	-	75,187	75,187	
<b>Total</b>	<b>\$ 377,163</b>	<b>\$ 155,368</b>	<b>\$ 532,530</b>	<b>\$ 63,693</b>	<b>\$ 120,418</b>	<b>\$ 716,641</b>	

*See Notes to Financial Statements and Independent Auditor's Report*