



RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

For the Year Ended December 31, 2019



**and
Report Thereon**



**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATE**

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For the Year Ended December 31, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Philadelphia Ronald McDonald House and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ronald McDonald House Charities Philadelphia Region and its affiliate PRMH, Inc. (collectively referred to as RMHC-PHI), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

Continued

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position Ronald McDonald House Charities Philadelphia Region and Affiliate 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.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Marcum LLP

Washington, DC
May 12, 2020

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019**

ASSETS

Cash and cash equivalents	\$ 1,156,467
Cash – restricted	4,427
Investments	5,124,231
Pledges receivable, net	2,629,813
Inventory	107,540
Prepaid expenses and other assets	228,304
Notes receivable	15,076,200
Property and equipment, net	<u>59,388,134</u>
TOTAL ASSETS	<u><u>\$ 83,715,116</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 625,802
Deferred revenue	37,500
Line of credit	8,805,433
Notes payable	<u>21,525,000</u>
TOTAL LIABILITIES	<u>30,993,735</u>

Net Assets

Without donor restrictions	49,131,177
With donor restrictions	<u>3,590,204</u>
TOTAL NET ASSETS	<u>52,721,381</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 83,715,116</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Public support:			
Grants and contributions	\$ 4,244,093	\$ 2,734,471	\$ 6,978,564
Telethon revenue	705,898	-	705,898
Special event revenue	1,273,218	-	1,273,218
Cost of direct benefit to donors	(677,600)	-	(677,600)
Special event revenue, net	595,618	-	595,618
In-kind contributions	71,578	-	71,578
Program service revenue:			
Guest fees, net	199,129	-	199,129
Other	94,242	-	94,242
Investment income, net	161,497	17,252	178,749
Net assets released from time restrictions	250,000	(250,000)	-
Net assets released from program restrictions	184,614	(184,614)	-
TOTAL OPERATING REVENUE AND SUPPORT	6,506,669	2,317,109	8,823,778
OPERATING EXPENSES			
Program Services:			
House	6,442,624	-	6,442,624
Camp	334,896	-	334,896
Family rooms	123,469	-	123,469
Care mobile	101,904	-	101,904
Total Program Services	7,002,893	-	7,002,893
Supporting Services:			
Fundraising	1,121,794	-	1,121,794
Administration	589,967	-	589,967
Total Supporting Services	1,711,761	-	1,711,761
Loss on disposal of property and equipment	246,896	-	246,896
TOTAL OPERATING EXPENSES	8,961,550	-	8,961,550
Change in Net Assets From Operations	(2,454,881)	2,317,109	(137,772)
Other Items			
Interest income from note receivable	150,762	-	150,762
Revenue on ground lease and interest	3,529	-	3,529
Unrealized gain on investments	606,334	78,805	685,139
Net assets released for long-term capital project	3,670,077	(3,670,077)	-
CHANGE IN NET ASSETS	1,975,821	(1,274,163)	701,658
NET ASSETS, BEGINNING OF YEAR	47,155,356	4,864,367	52,019,723
NET ASSETS, END OF YEAR	\$ 49,131,177	\$ 3,590,204	\$ 52,721,381

The accompanying notes are an integral part of these consolidated financial statements.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019**

	Program Services				Supporting Services				
	House	Camp	Family Rooms	Care Mobile	Total Program Services	Fundraising	Administration	Total Supporting Services	Total
Salaries and wages	\$ 1,595,806	\$ 31,907	\$ 92,068	\$ -	\$ 1,719,781	\$ 684,530	\$ 292,490	\$ 977,020	\$ 2,696,801
Depreciation	1,346,468	-	677	-	1,347,145	-	-	-	1,347,145
Grants and contributions	908,267	-	-	100,000	1,008,267	-	-	-	1,008,267
Public relations	291,430	4,303	-	-	295,733	208,436	18,870	227,306	523,039
Guest meals and assistance	269,403	182,524	16,544	-	468,471	3,364	-	3,364	471,835
Contractors and consultants	296,932	52,874	140	-	349,946	1,213	24,544	25,757	375,703
Employee benefits	209,715	4,799	4,294	-	218,808	90,241	33,652	123,893	342,701
Building maintenance and repair	299,299	-	-	-	299,299	-	-	-	299,299
Bank fees	181,546	-	-	-	181,546	1,255	74,110	75,365	256,911
Supplies	244,374	8,616	201	-	253,191	-	-	-	253,191
Payroll taxes	120,900	2,326	6,888	-	130,114	48,385	24,475	72,860	202,974
Technology, hardware and equipment	145,903	2,608	867	-	149,378	38,027	14,365	52,392	201,770
Utilities	157,053	-	-	-	157,053	-	-	-	157,053
Insurance	114,628	1,302	1,178	-	117,108	6,509	1,692	8,201	125,309
Professional fees	37,018	-	-	-	37,018	-	67,354	67,354	104,372
Donated services	71,219	1,015	-	-	72,234	-	-	-	72,234
Miscellaneous expense	39,481	137	88	-	39,706	33	5,611	5,644	45,350
Parking and transportation	36,247	7,936	-	-	44,183	-	-	-	44,183
Printing and stationery	8,296	9,047	24	-	17,367	13,330	6,516	19,846	37,213
Auto expense	33,953	-	-	1,904	35,857	-	-	-	35,857
Travel and entertainment	12,059	2,528	200	-	14,787	11,926	6,697	18,623	33,410
Postage and delivery	10,126	792	-	-	10,918	5,345	8,768	14,113	25,031
Education, licensing and dues	5,328	2,652	-	-	7,980	7,529	7,854	15,383	23,363
Event expense	-	19,530	-	-	19,530	-	-	-	19,530
Office supplies and equipment	9,077	-	300	-	9,377	1,671	2,969	4,640	14,017
Total Expenses by Function	6,444,528	334,896	123,469	101,904	7,004,797	1,121,794	589,967	1,711,761	8,716,558
Plus: Loss on disposal of property and equipment	-	-	-	-	-	-	246,896	246,896	(246,896)
Cost of direct benefit to donors	-	-	-	-	-	677,600	-	677,600	677,600
TOTAL EXPENSES INCLUDED ON THE STATEMENT OF ACTIVITIES	\$ 6,444,528	\$ 334,896	\$ 123,469	\$ 101,904	\$ 7,004,797	\$ 1,799,394	\$ 836,863	\$ 2,636,257	\$ 9,147,262

The accompanying notes are an integral part of these consolidated financial statements.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 701,658
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,347,145
Realized gain on investments	(30,623)
Unrealized gain on investments	(685,139)
Loss on disposal of property and equipment	246,896
Contributions restricted for long-term capital project	(1,562,525)
Changes in assets and liabilities:	
Inventory	10,031
Prepaid expenses and other assets	(72,404)
Pledges receivable	1,526,923
Accounts payable and accrued expenses	(4,758,679)
Deferred revenue	(10,500)
NET CASH USED IN OPERATING ACTIVITIES	<u>(3,287,217)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	652,954
Purchases of investments	(636,530)
Purchase of property and equipment	(9,769,449)
NET CASH USED IN INVESTING ACTIVITIES	<u>(9,753,025)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for long-term capital project	1,562,525
Proceeds from line of credit	7,925,609
Repayments on line of credit	(251,948)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>9,236,186</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,804,056)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,964,950</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,160,894</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid, net of capitalized interest in the amount of \$421,907	<u><u>\$ 477,979</u></u>
NONCASH TRANSACTIONS	
Noncash investing activities:	
Property and equipment included in accounts payable and accrued expenses	<u><u>\$ 230,355</u></u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents	\$ 1,156,467
Cash – restricted	4,427
	<u><u>\$ 1,160,894</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies

Philadelphia Ronald McDonald House (RMH) was incorporated in Pennsylvania on May 8, 1974, as a nonprofit organization for the purpose of supporting families of seriously ill children by creating a community of comfort and hope. On January 1, 2019, RMH signed an agreement with Ronald Mc Donald House Charities of the Philadelphia Region, Inc., a nonprofit organization who shared the mission and is registered in Pennsylvania, to merge with RMH with RMH continuing as the surviving organization with a new name Ronald McDonald House Charities Philadelphia Region. The major sources of revenue are corporate and individual donors as well as events.

In April 2017, RMH formed a wholly controlled support corporation, PRMH, Inc., a 501(c)(3) nonprofit corporation incorporated in the commonwealth of Pennsylvania. PRMH, Inc. was established as part of a New Markets Tax Credit (NMTC) financing transaction for the RMH Expansion Project to act as a leverage lender, facilitating RMH's ability to participate in the NMTC program. PRMH, Inc. was created to raise funds for the support and benefit of, and to carry out the purposes of, RMH which may include funds for capital expenditures, other financial purposes, and to manage and invest such funds for the benefit of RMH. These activities are funded primarily through grants and contributions. RMH and PRMH, Inc. are collectively referred to as RMHC-PHI.

Programs

House Program

Two Ronald McDonald Houses, together serving up to 115 families each night, offer holistic support and lodging to families traveling 25 miles or further to Philadelphia to receive medical care for their seriously ill children. Founded as the first Ronald McDonald House in the world, RMHC-PHI is the model for more than 375 Houses in 65 countries and regions around the globe and has supported thousands of families in more than 45 years of operation.

Since opening, the first House – located at 3925 Chestnut Street – RMHC-PHI has grown to 72,000 square feet to accommodate a total of 45 families each night; in 2008, RMHC-PHI opened a second 27,000-square-foot, three-story home with 20 bedrooms located at 100 E. Erie Avenue to meet the expanding need for services throughout the city of Philadelphia. RMHC-PHI-PHI is currently in the midst of expanding the Chestnut Street location from 45 bedrooms to 127 bedrooms to address the increasing demand for services. Construction of the new facility began in the summer of 2017.

The Houses offer families a comfortable and secure room, daily home-cooked meals, a 24-hour food pantry, complimentary transportation around the city, free parking, and laundry facilities – all just minutes from the hospital. The Houses also offer TV lounges, indoor and outdoor play spaces, exercise rooms, family activities, loaner laptop computers and Wi-Fi, and social worker assistance. Additionally, the Houses offer the support of other families who understand what it is like to have a seriously ill child. While it costs RMHC-PHI more than \$131 per night to provide these services, families are asked to pay \$15 per night. However, many of the families are so financially devastated by their child's illness (as a result of treatment costs, job loss or leave, traveling, and paying expenses at home) that their fee is waived or reduced; no one is ever turned away due to inability to pay.

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**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Programs (continued)

House Program (continued)

Families traveling from 25 miles away or further for medical care at Philadelphia hospitals are eligible to stay at the Houses, and children must be under the age of 21 and in active treatment. In 2019, RMHC-PHI's two Houses combined had 2,385 family stays with families traveling from 47 states, 31 countries and 3 U.S. territories; 32% of families traveled from within Pennsylvania. The average length of stay was 14 days, with the longest length of stay for one family totaling 365 consecutive days.

While RMHC-PHI serves families whose children are being treated for an array of illnesses, the top departments in 2019 were orthopedics, oncology, neonatology and cardiology. Each year, RMHC-PHI's hospital partners include Children's Hospital of Philadelphia (CHOP), St. Christopher's Hospital for Children, Shriners Hospital, Wills Eye Hospital, the Hospital of the University of Pennsylvania and others.

Volunteers are truly the heart of the Houses and RMHC-PHI relies on the dedicated service of more than 313 volunteers to create a home for the families it serves. Volunteers staff the front desk, drive the shuttle vans and support operations in a variety of other capacities. In 2019, volunteers contributed 23,393 hours of their time, representing the equivalent of 13 full-time staff positions.

Camp Program

Every August, Ronald McDonald Camp enables children with cancer and their siblings to experience the joys of summer camp. Created by RMH co-founder Dr. Audrey E. Evans in 1986, this one-week camp was one of the very first of its kind to offer a camp experience specifically designed for children with cancer and their siblings. Ronald McDonald Camp, located in the Pocono Mountains of Pennsylvania, includes all of the activities found at a traditional overnight summer camp, such as swimming, sailing, hiking, sports, arts and crafts, yoga, and rope courses, except that, at this camp, campers can participate no matter what limitations they have. For many campers, the week at camp is the first time they have ever tried the activities offered, and they go home not only having discovered a new talent or learned a new skill, but having gained a sense of self-confidence. For children who have felt isolated from their peers through their illness, and siblings who have felt left out, camp is also an opportunity to join a family of campers who can relate to one another, and to develop a wide-reaching support network that will last long after the week of camp is over.

Children ages 7 to 17 (including current or former cancer patients and one sibling) are welcome at camp and are divided by age into junior and senior camps. More than 100 fully-trained volunteer counselors (many of whom are cancer survivors and past campers) and a full team of over a dozen medical staff, including pediatric oncologists, nurses and social workers from CHOP, dedicate a week of their summer vacation to make camp possible. In 2019, 233 campers attended the week of camp.

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**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Programs (continued)

Camp Program (continued)

While there is no charge to the patient campers, and siblings can attend for a nominal fee of \$150, the actual cost to attend camp is over \$600 per camper; funding for the week is provided solely through the contributions of individuals and organizations. Ronald McDonald Camp is accredited through the American Camp Association (ACA) and is a member of the Children's Oncology Camping Association, International (COCA). Ronald McDonald Camp is held at the Camp Timber Tops facility in Greeley, Pennsylvania.

Family Room Program

Three Ronald McDonald Family Rooms – two at CHOP and one at St. Christopher's Hospital for Children – extend the comfort and support of the Houses into the hospital by offering a quiet place to rest and recharge away from the bedside for families whose children are receiving treatment. Our first Family Room at CHOP opened in the Oncology Unit in 2006. This Family Room is open 24 hours a day, seven days a week including holidays; any patient and his/her family in one of the combined total of 50 patient beds on the Oncology Unit may use the Family Room. In March of 2017, RMHC-PHI opened a Family Room at St. Christopher's Hospital for Children to serve the Critical Care Tower. This Family Room serves up to 65 beds a night. In 2018, RMHC-PHI opened a second Family Room at CHOP's Seashore House.

The Family Rooms offer a range of complimentary amenities and programming in a warm, home-like environment. A central pillar of these services is the meal program which, thanks to the generosity of donors, provides families with breakfast and dinner at scheduled times throughout the week at the family-style dining tables located in the rooms. Snacks, coffee and tea are also available to families through the program. Other amenities include comfortable seating, kitchen facilities, televisions, DVD players (with an assortment of movies), books and magazines. The Oncology Family Room also offers laundry facilities and a guest bathroom. Programming in Family Rooms includes complimentary haircuts, yoga instruction, stress management workshops, art therapy, crafts and a variety of other activities.

The Family Rooms serve families traveling from both near and far. Families coming from 25 miles away or farther and staying at Philadelphia Ronald McDonald House in the evening are able to take a break in the rooms during the day, and families residing closer than 25 miles who do not wish to leave their child's side due to age or severity of illness can utilize the rooms as much as needed.

The Ronald McDonald Care Mobile (RMCM)

The Ronald McDonald Care Mobile (RMCM) program provides access to pediatric medical, dental and/or health education services for children living in underserved communities. The RMCM program is breaking down the barriers to health care, expanding critical health care access and extending the Charity's reach to countless underserved children. The RMCM program serves children that are at great risk to develop acute conditions, dental problems,

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Programs (continued)

The Ronald McDonald Care Mobile (RMCM) (continued)

chronic diseases and even serious lifelong illnesses. Through partnerships with St. Christopher's Foundation for Children, RMHC-PHI is bringing critical dental services to under-insured or un-insured children right in their own neighborhood through onsite visits at schools, head start programs and homeless shelters.

Basis of Accounting

RMHC-PHI prepares its consolidated financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

Principles of Consolidation

RMHC-PHI and PRMH, Inc. have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America (GAAP). All significant intra-entity balances and transactions between RMHC-PHI and PRMH, Inc. have been eliminated in consolidation.

Cash and Cash Equivalents

RMHC-PHI classifies all highly liquid investments with original maturities of less than 90 days as cash equivalents. Cash and cash equivalents include demand deposits and money market funds. Restricted cash includes a loan reserve established for payment of the servicing fee in compliance with the notes payable agreements.

Investments

Investments consist of mutual funds, exchange-traded funds and money market funds. These investments are recorded in the accompanying consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Realized gains or losses on sales of investments are recorded on the trade dates of the transactions. Unrealized gains or losses on investments are determined by the change in fair value between the beginning and end of the reporting period. All such gains and losses, interest, and dividends are included in investment income in the consolidated statement of activities, net of investment management fees.

Fair Value Measurement

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, RMHC-PHI has categorized its applicable financial

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that RMHC-PHI has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of December 31, 2019, only RMHC-PHI's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Pledges Receivable

Pledges receivable consist of unconditional promises to give to RMHC-PHI. Unconditional promises to give are recorded at their present net realizable value. For those due in more than one year, fair value is estimated by discounting estimated future cash flows at rates approximating the current rate for risk-free returns. Management determines the allowance for doubtful pledges by reviewing all outstanding pledges for possible uncollectibility. Pledges are charged to the allowance account when deemed uncollectible.

Inventory

Inventory is stated at net realizable value on a first-in, first-out basis and consists of clothing, aprons, backpacks, books, hats, pins and tote bags.

Property and Equipment and Related Depreciation

Land, buildings, building improvements, furniture, fixtures and equipment, and construction in progress are recorded at cost. Donated property is recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation (continued)

assets: five to 35 years for the building and improvements and three to 10 years for furniture, fixtures and equipment. Construction in progress is not depreciated until the construction is completed and the asset is placed in service. Expenditures for major repairs and improvements are capitalized, while expenditures for minor repairs and maintenance costs are expensed when incurred. RMHC-PHI capitalizes all fixed assets greater than \$3,000 and an with economic life in excess of one year. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue or expenses in the accompanying consolidated statement of activities.

Impairment of Long-Lived Assets

RMHC-PHI reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended December 31, 2019.

Classification of Net Assets

The net assets of RMHC-PHI are reported as follows:

1. Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of RMHC-PHI at the discretion of RMHC-PHI's management and the Board of Directors (the Board). The Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.
2. Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or for use in future time periods. Net assets with donor restrictions also represent endowment gifts requiring that the principal be invested in perpetuity and that only the investment income be expended for purposes designated by the donor.

Revenue Recognition

Contributions and Grants

RMHC-PHI recognizes all unconditional contributed support in the period in which the commitment is made. RMHC-PHI reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Unconditional contributed support that is expected to be collected within one year is recorded at its net

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions and Grants (continued)

realizable value. Unconditional contributed support that is expected to be collected after one year is recorded at the present value of its estimated future cash flows discounted back to present value using the appropriate discount rates. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributed support to which the discount relates.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

In-kind contributions are recognized at their estimated fair value when received. Donated services are recognized if the services received create or enhance nonfinancial assets, or if the services require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Sponsorship Revenue

The portion of Telethon sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Special Event Revenue – Ticket Sales

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

Deferred Revenue

Income from Telethon sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate.

Volunteers

Many volunteers, including members of the Board, have made significant contributions of time in furtherance of RMHC-PHI's policies and programs. The value of this contributed time does not meet the criteria for recognition and, therefore, is not reflected in the consolidated statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to specific functional areas of RMHC-PHI are reported as expenses of those

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. The shared costs are allocated based on a time study which is done annually as part of the budgeting process.

Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Measure of Operations

Income from investments, including realized gains and losses on investment transactions, is considered to be revenue generated from operations. Unrealized gains or losses recognized from the change in the fair value of investments are not considered to be from operations until such time as those gains or losses are realized through investment sale transactions. In addition, interest income from notes receivable, net assets released for long-term capital projects, and equipment are not considered to be from operations.

New Accounting Pronouncements

In May 2014, Financial Accounting Standard Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. RMHC-PHI adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact RMHC-PHI's results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. RMHC-PHI adopted ASU 2018-08 on January 1, 2019, using the modified prospective basis and the adoption of the standard did not result in a material change to the consolidated financial statements or the timing of revenue recognition for RMHC-PHI's grants and pledges.

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2. Pledges Receivable

Pledges receivable consist of unconditional promises to give made by individuals and foundations. As of December 31, 2019, pledges receivable were due as follows:

Due in less than one year	\$ 1,030,458
Due in one to five years	<u>1,736,726</u>
Total Pledges Receivable	2,767,184
Less: Present Value Discount (3.5% – 5.5%)	<u>(137,371)</u>
Pledges Receivable, Net	<u><u>\$ 2,629,813</u></u>

All amounts were deemed to be fully collectible as of December 31, 2019.

3. Investments and Fair Value Measurement

The following table summarizes RMHC-PHI's investments measured at fair value on a recurring basis as of December 31, 2019, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange-traded funds:				
Equity funds	\$ 2,110,198	\$ 2,110,198	\$ -	\$ -
Fixed-income funds	374,814	374,814	-	-
Mutual funds:				
Fixed-income funds	1,261,003	1,261,003	-	-
Equity funds	1,289,891	1,289,891	-	-
Money market funds	<u>88,325</u>	<u>88,325</u>	<u>-</u>	<u>-</u>
Total Investments	<u><u>\$ 5,124,231</u></u>	<u><u>\$ 5,124,231</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Exchange-traded funds, mutual funds and money market funds are Level 1 investments and are valued at the net asset value of shares held at year-end. The funds have readily available quoted market prices from an active market where there is significant transparency in the executed/quoted market price.

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4. Property and Equipment

Property and equipment consisted of the following at December 31, 2019:

Buildings and building improvements	\$ 59,649,704
Land	1,232,928
Construction in progress ^(a)	2,707,574
Equipment and furniture	<u>1,936,386</u>
Total Property and Equipment	65,526,592
Less: Accumulated Depreciation	<u>(6,138,458)</u>
Property and Equipment, Net	<u>\$ 59,388,134</u>

^(a) Construction in progress is related to the expansion and renovation at the Chestnut Street location of RMHC-PHI.

Depreciation expense was \$1,347,145 for the year ended December 31, 2019.

During the year ended December 31, 2019, certain building improvements were demolished and replaced with new building improvements as part of the expansion project. As such, a loss on disposal totaling \$246,896 was realized, and it is included in the accompanying consolidated statement of activities.

5. New Markets Tax Credit Financing – Notes Receivable and Payable

In April 2017, RMHC-PHI entered into a debt transaction to access additional funds through the New Markets Tax Credit Program (the NMTC Program). These funds were used for the expansion of its 3925 Chestnut Street Building Facility. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments in a designated Community Development Entity (CDE). The CDE must use substantially all the of the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a seven-year period and equate to 39% of the QLICs. RMHC-PHI has partnered with an investor, Chase Community Equity LLC (the Equity Investor), a Delaware limited liability company, to utilize the the NMTC Program. The Equity Investor contributed \$7,378,000 in equity to the Chase NMTC PRMH Investment Fund, LLC (the Fund), a Delaware limited liability company. In conjunction with the equity investment, RMHC-PHI (the leverage lender) made a loan of \$15,076,200 to the Fund. In turn, the Fund made equity investments in four CDEs which provided eight loans to PRMH, Inc. totaling \$21,525,000. The loans were made to PRMH, Inc., which is considered a qualified active low-income community business. The QLICI loans have a seven-year compliance period during which no principal can be repaid.

The loan provided by RMHC-PHI to the Fund bears interest at 1% and matures on June 30, 2037. Interest-only payments are due quarterly commencing on June 15, 2017, continuing through December 15, 2024, and commencing on March 15, 2025. The quarterly payments will

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5. New Markets Tax Credit Financing – Notes Receivable and Payable (continued)

be composed of both principal and interest in the amount of \$321,138, for an annual total of \$1,284,552. For the year ended December 31, 2019, RMHC-PHI recognized interest income of \$150,762 related to this note receivable, which is included in interest income from the note receivable in the accompanying consolidated statement of activities. There was no accrued interest income as of December 31, 2019.

The loans with each of the CDEs require quarterly interest-only payments at 1.042% per annum until December 5, 2024, starting on June 5, 2017. Thereafter, annual principal payments of \$1,157,575, plus interest at 1.042% per annum, are due until December 1, 2041, if they are not accelerated or otherwise retired by the respective lenders at the end of the compliance period. For the year ended December 31, 2019, RMHC-PHI incurred interest expense of \$224,291, of which \$168,218 was capitalized. There was no unpaid interest expense related to these loans as of December 31, 2019.

The loans from the CDEs were as follows:

Lender	Loan	Rate
Commonwealth Corner Stone Group Ltd. XXXV	\$ 4,062,600	1.042%
Commonwealth Corner Stone Group Ltd. XXXV	1,817,400	1.042%
City First Capital 47, LLC	6,693,700	1.042%
City First Capital 37, LLC	2,616,300	1.042%
CNMC Sub-CDE 126, LLC	664,600	1.042%
CNMC Sub-CDE 126, LLC	335,400	1.042%
PIDC-RDC Sub-CDE XV, LP	3,655,300	1.042%
PIDC-RDC Sub-CDE XV, LP	1,679,700	1.042%
Total	\$ 21,525,000	

The loans are secured by all of RMHC-PHI's revenue, inventory, furniture, fixtures, equipment, other assets, licenses and intangibles, and the deed of trust in RMHC-PHI's interest in the property (3925 Chestnut Street Building expansion).

The NMTC financing agreement required RMHC-PHI to establish and fund individual fee and expense reserve accounts totaling \$191,063 during the current year to pay interest and certain annual service fees to the respective CDEs over the seven-year NMTC compliance period. In July 2020, RMHC-PHI will make the required additional deposits totaling \$363,437 into the accounts. As of December 31, 2019, the balance associated with the reserve accounts totaled \$4,427; it is included in restricted cash in the accompanying consolidated statement of financial position and will be paid over the compliance period as these fees become due and payable.

The construction financing for the RMHC-PHI expansion has various financial covenants, including maintaining certain debt service coverage ratios, minimum liquidity and minimum tangible net worth. In addition to the financial covenants, RMHC-PHI must comply with certain

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5. New Markets Tax Credit Financing – Notes Receivable and Payable (continued)

NMTC Program requirements during the seven-year compliance period. As of December 31, 2019, RMHC-PHI was in compliance with all of its financial covenants and respective NMTC Program requirements.

It is anticipated that, after the seven-year NMTC Program compliance period expires in December 2024, in accordance with a put and call option agreement, the Equity Investor who owns the Fund will exercise its put option to sell its ownership interest to RMHC-PHI for a price of \$1,000 or RMHC-PHI will exercise its call option to buy the Equity Investor's interest for a pre-determined amount or price equal to the fair value of the investment, and the Fund will be liquidated and its assets distributed to RMHC-PHI. In conjunction with this event, the Equity Investor will be liquidated and its assets distributed to the Fund. Immediately after the exit transactions are completed, RMHC-PHI will be the holder of PRMH, Inc.'s notes payable, and, as such, the notes payable will be eliminated in the consolidated financial statements, with the notes payable anticipated to be discharged shortly thereafter.

As of December 31, 2019, there were no required principal payments on the notes payable over the following five years.

6. Note Payable – Partial-Revolving Loan

On April 24, 2017, RMHC-PHI entered into a partial-revolving loan agreement not to exceed \$14,000,000 with Firsttrust Bank to support construction costs related to the Chestnut Street Building expansion. The agreement bears interest at a variable rate of the one-month London Interbank Offered Rate (LIBOR) plus 2.75%, floating daily, which was 4.55% as of December 31, 2019. Under the note agreement, RMHC-PHI is required to pay interest on outstanding balances on a monthly basis commencing on May 1, 2017. The entire unpaid principal amount, together with all accrued and unpaid interest, will be due and payable, if not sooner paid, on April 21, 2022. The loan is secured by a mortgage and security interest agreement on real properties of RMHC-PHI. For the year ended December 31, 2019, there were borrowings of \$6,415,609, and repayments of \$176,948. As of December 31, 2019, the outstanding balance was \$6,238,661. For the year ended December 31, 2019, RMHC-PHI capitalized interest expense of \$160,888. There was no unpaid interest expense related to this partial-revolving loan as of December 31, 2019.

7. Line of Credit

RMHC-PHI maintains a \$2,750,000 line of credit with a bank, secured by RMHC-PHI's investments, which matures on May 31, 2020. The line of credit carries a variable interest rate of 30-Day LIBOR plus 2% or 200 basis points, which was 3.7% as of December 31, 2019. Under the line of credit agreement, RMHC-PHI is required to pay interest on outstanding balances on a monthly basis. In addition, RMHC-PHI is required to comply with certain financial and

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7. Line of Credit (continued)

affirmative covenants on an annual basis. For the year ended December 31, 2019, there were borrowings of \$1,510,000, and repayments of \$75,000. As of December 31, 2019, the outstanding balance was of \$2,566,772. For the year ended December 31, 2019, RMHC-PHI capitalized interest expense of \$92,801. There was no unpaid interest expense related to this line of credit as of December 31, 2019. As of December 31, 2019, RMHC-PHI was in compliance with all of its financial covenants.

8. Net Assets

Net Assets Without Donor Restrictions

RMHC-PHI's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of December 31, 2019, RMHC-PHI's net assets without donor restrictions were as follows:

Undesignated	\$ 45,660,082
Board-designated	<u>3,471,095</u>
Total Net Assets Without Donor Restrictions	<u><u>\$ 49,131,177</u></u>

The board-designated net assets for a working capital reserve were instituted to provide funding for various strategic initiatives of RMHC-PHI and to secure RMHC-PHI's long-term financial viability.

Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restrictions were restricted for specific purposes or time periods as follows:

Subject to expenditure for specified purpose:

Endowment earnings available per spending policy	\$ 58,407
House programs	175,050
Camp	62,186
Family Room programs	<u>29,083</u>
Total Subject to Expenditure for Specified Purpose	<u>324,726</u>

Subject to occurrence of specified events/passage of time:

Time restricted	750,000
Capital Campaign – Chestnut Street Expansion	<u>2,017,978</u>
Total Subject to Occurrence of Specified Events/ Passage of Time	<u><u>2,767,978</u></u>

Continued

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8. Net Assets (continued)

Net Assets With Donor Restrictions (continued)

Subject to be held in perpetuity:

Endowment Fund	<u>\$ 497,500</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,590,204</u>

Endowment

RMHC-PHI received a donation of shares of common stock of the McDonald's Corporation from Mrs. Joan Kroc. The gift was valued at \$497,500 and was intended to create an endowment that would provide a source of income to help with ongoing operating expenses of the Ronald McDonald Houses. All income from these securities is restricted until appropriated for spending by the Board.

For the year ended December 31, 2019, RMHC-PHI's endowment fund had the following activity:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 498,469
Investment return, net	96,057
Amounts appropriated for expenditure	<u>(38,619)</u>
Endowment Net Assets, End of Year	<u>\$ 555,907</u>

Interpretation of Relevant Law

RMHC-PHI has interpreted relevant law in Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. Pennsylvania law permits, but does not require, the board of directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the board of directors has determined that such a percentage is consistent with the long-term preservation of the real value of such assets.

RMHC-PHI approved a 7% spending policy beginning January 1, 2012, which amounted to \$38,619 to be distributed to operations for the year ended December 31, 2019. The realized and unrealized gains and losses related to permanent endowments are restricted until spent, in accordance with Pennsylvania law. The endowment fund investment activity is recorded in accordance with the original gift agreement and RMHC-PHI's interpretation of the Pennsylvania law.

Continued

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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8. Net Assets (continued)

Endowment (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor requires an organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported as part of net assets without donor restrictions. It's RMHC-PHI's interpretation and policy that it has the ability and will continue to spend from underwater funds. As of December 31, 2019, there were no such deficiencies.

Return Objectives and Risk Parameters

RMHC-PHI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, RMHC-PHI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHC-PHI targets a diversified asset allocation which is reviewed as necessary by the Board of Directors.

9. Availability and Liquidity

RMHC-PHI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. RMHC-PHI's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2019, were as follows:

Cash and cash equivalents	\$ 1,156,467
Pledges receivable within one year	1,030,458
Investments	<u>5,124,231</u>
Total Financial Assets Available Within One Year	7,311,156
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	(324,726)
Amounts unavailable for general expenditure as corpus of endowment	(497,500)
Amounts unavailable to management without Board approval: Board-designated for working capital reserve	<u>(3,471,095)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 3,017,835</u>

Continued

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. Availability and Liquidity (continued)

RMHC-PHI has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of RMHC-PHI throughout the year. This is done through monitoring and reviewing RMHC-PHI's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of RMHC-PHI's cash flow related to RMHC-PHI's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or to support organizational initiatives. RMHC has an endowment with a board-restricted 7% spending rate, and unrestricted investments with a board-restricted 4% spending rate. Effective January 1, 2020, the unrestricted investment's board-restricted spending rate was approved at 5%, resulting in approximately \$203,802 of appropriations available within the next 12 months to fund operating needs. To help manage unanticipated liquidity needs, RMHC-PHI has a committed line of credit of \$2,750,000, which is described in Note 7 above.

10. Merger

Effective January 1, 2019, RMH signed an agreement to merge with Ronald McDonald House Charities of the Philadelphia Region, Inc. (RMH Charities). RMH Charities is a nonprofit organization registered in Pennsylvania. Both organizations share the same mission of supporting families of seriously ill children by creating a community of comfort and hope. RMHC-PHI is the surviving organization. RMHC-PHI filed amended articles of incorporation to change the name to Ronald McDonald House Charities of the Philadelphia Region. As of the effective date, the merged assets, liabilities and net assets from RMH Charities is summarized as follows:

Cash	\$ 339,456
Investments	\$ 882,136
Pledges receivable, net	\$ 180,646
Prepaid expenses and other assets	\$ 6,250
Deferred revenue	\$ (48,000)
Net assets	\$ (1,360,488)

11. Transactions with Related Entities

Ronald McDonald House Charities is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. RMHC-PHI is an independent operating Chapter within the Ronald McDonald House Charities system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use the related trademarks in conjunction with fundraising activities and the operation of its programs; the license agreement also sets standards of operations for programs, governance, finance, branding and reporting.

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11. Transactions with Related Entities (continued)

Ronald McDonald House Charities, Inc. (RMHC-PHI Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC-PHI Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. RMHC-PHI receives a portion of net revenues from all national fundraising efforts facilitated by RMHC-PHI Global, as defined by the license agreement. During the year ended December 31, 2019, RMHC-PHI received \$661,440 and from these revenue streams.

12. Commitments, Contingencies and Risks

Construction Contract

In April 2017, RMHC-PHI entered into an agreement for construction services totaling \$31,050,505 related to the design, renovation and construction at RMHC-PHI's additional building on Chestnut Street. Total remaining commitments under these agreements were approximately \$6,861,602 as of December 31, 2019.

Concentration of Credit Risk

RMHC-PHI maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2019, RMHC-PHI had \$1,013,000, which exceeded the maximum limit insured by the FDIC by approximately \$352,000. RMHC-PHI monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Investment Risk

RMHC-PHI also invests in various investment securities that are exposed to various risks, including market, interest rate and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

13. Retirement Plan

RMHC-PHI maintains a Simplified Employee Pension Plan which covers all full-time employees. RMHC-PHI contributes 2% of the employee's annual compensation. For the year ended December 31, 2019, contributions to the plan amounted to \$43,656.

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14. Income Taxes

RMHC-PHI and PRMH, Inc. are exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, these organizations are taxed only on their net unrelated business income. No provision for income taxes has been made in the accompanying consolidated financial statements for the year ended December 31, 2019, as there was no significant net unrelated business income.

RMHC-PHI adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. RMHC-PHI performed an evaluation of uncertain tax positions for the year ended December 31, 2019, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on RMHC-PHI's tax-exempt status. As of December 31, 2019, the statute of limitations remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which RMHC-PHI files tax returns; however, there are currently no examinations pending or in progress. As of December 31, 2019, RMHC-PHI had no accruals for interest and/or penalties.

15. Subsequent Events

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. RMHC-PHI has been able to continue most of its operations in a remote environment; however, at this point, the extent to which COVID-19 may impact RMHC-PHI's financial condition or results of operations is uncertain.

On April 15, 2020, the RMHC-PHI Small Business Administration loan application for the amount of \$712,500 has been approved by a financial institution. The loan will mature in April 15, 2022, with a fixed interest rate at 1% per annum. The payments of principal and interest are deferred during the first seven months of the loan and the loan will be paid in a monthly installment of \$37,989 through the maturity. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which minimally requires at least 75% of the loan are used to cover payroll costs and the remainder is used for mortgage interest, rent and utility costs over 8 weeks period after the loan is made; and the number of employees and compensation levels are maintained.

RMHC-PHI has evaluated events and transactions for potential recognition or disclosure through May 12, 2020, the date the consolidated financial statements were available to be issued and except as noted above there were no other subsequent events required to be reported.

SUPPLEMENTARY INFORMATION

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2019**

	<u>RMH</u>	<u>PRMH, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,054,707	\$ 101,760	\$ -	\$ 1,156,467
Cash – restricted	-	4,427	-	4,427
Investments	5,124,231	-	-	5,124,231
Inventory	107,540	-	-	107,540
Prepaid expenses and other assets	194,167	953,095	(918,958)	228,304
Due from affiliate	1,067,384	-	(1,067,384)	-
Pledges receivable, net	2,629,813	-	-	2,629,813
Notes receivable	15,076,200	-	-	15,076,200
Property and equipment, net	19,093,869	40,294,265	-	59,388,134
	<u>\$ 44,347,911</u>	<u>\$ 41,353,547</u>	<u>\$ (1,986,342)</u>	<u>\$ 83,715,116</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 623,196	\$ 2,606	\$ -	\$ 625,802
Due to affiliate	-	1,067,384	(1,067,384)	-
Deferred revenue	956,458	-	(918,958)	37,500
Line of credit	8,805,433	-	-	8,805,433
Notes payable	-	21,525,000	-	21,525,000
	<u>10,385,087</u>	<u>22,594,990</u>	<u>(1,986,342)</u>	<u>30,993,735</u>
Net Assets				
Without donor restrictions	30,372,620	18,758,557	-	49,131,177
With donor restrictions	3,590,204	-	-	3,590,204
	<u>33,962,824</u>	<u>18,758,557</u>	<u>-</u>	<u>52,721,381</u>
	<u>\$ 44,347,911</u>	<u>\$ 41,353,547</u>	<u>\$ (1,986,342)</u>	<u>\$ 83,715,116</u>

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**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
AND AFFILIATE**

**CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2019**

	RMH			PRMH, Inc.			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT										
Public support:										
Grants and contributions	\$ 4,244,093	\$ 2,734,471	\$ 6,978,564	\$ -	\$ -	\$ -	\$ -	\$ 4,244,093	\$ 2,734,471	\$ 6,978,564
Telethon revenue	705,898	-	705,898	-	-	-	-	705,898	-	705,898
Special event revenue	1,273,218	-	1,273,218	-	-	-	-	1,273,218	-	1,273,218
Cost of direct benefit to donors	(677,600)	-	(677,600)	-	-	-	-	(677,600)	-	(677,600)
Special event revenue, net	595,618	-	595,618	-	-	-	-	595,618	-	595,618
In-kind contributions	71,578	-	71,578	-	-	-	-	71,578	-	71,578
Program service revenue:										
Guest fees, net	199,129	-	199,129	-	-	-	-	199,129	-	199,129
Other	94,242	-	94,242	-	-	-	-	94,242	-	94,242
Investment income, net	160,080	17,252	177,332	1,417	-	1,417	-	161,497	17,252	178,749
Net assets released from time restrictions	250,000	(250,000)	-	4,843,826	(4,843,826)	-	(4,843,826)	250,000	(250,000)	-
Net assets released from program restrictions	184,614	(184,614)	-	-	-	-	-	184,614	(184,614)	-
TOTAL OPERATING REVENUE AND SUPPORT	6,505,252	2,317,109	8,822,361	4,845,243	(4,843,826)	1,417	(4,843,826)	6,506,669	2,317,109	8,823,778
OPERATING EXPENSES										
Program Services:										
House	6,572,433	-	6,572,433	820,683	-	820,683	(950,492)	6,442,624	-	6,442,624
Camp	334,896	-	334,896	-	-	-	-	334,896	-	334,896
Family rooms	123,469	-	123,469	-	-	-	-	123,469	-	123,469
Care mobile	101,904	-	101,904	-	-	-	-	101,904	-	101,904
Total Program Services	7,132,702	-	7,132,702	820,683	-	820,683	(950,492)	7,002,893	-	7,002,893
Supporting Services:										
Fundraising	1,121,794	-	1,121,794	-	-	-	-	1,121,794	-	1,121,794
Administration	589,967	-	589,967	-	-	-	-	589,967	-	589,967
Total Supporting Services	1,711,761	-	1,711,761	-	-	-	-	1,711,761	-	1,711,761
Loss on disposal of property and equipment	246,896	-	246,896	-	-	-	-	246,896	-	246,896
TOTAL OPERATING EXPENSES	9,091,359	-	9,091,359	820,683	-	820,683	(950,492)	8,961,550	-	8,961,550
Change in Net Assets From Operations	(2,586,107)	2,317,109	(268,998)	4,024,560	(4,843,826)	(819,266)	(3,893,334)	(2,454,881)	2,317,109	(137,772)
Other Items										
Interest income from notes receivable	150,762	-	150,762	-	-	-	-	150,762	-	150,762
Revenue on ground lease and interest	3,529	-	3,529	-	-	-	-	3,529	-	3,529
Rental Income	-	-	-	950,492	-	950,492	(950,492)	-	-	-
Unrealized gain on investments	606,334	78,805	685,139	-	-	-	-	606,334	78,805	685,139
Net assets released for long-term capital project	3,670,077	(3,670,077)	-	-	-	-	-	3,670,077	(3,670,077)	-
CHANGE IN NET ASSETS	\$ 1,844,595	\$ (1,274,163)	\$ 570,432	\$ 4,975,052	\$ (4,843,826)	\$ 131,226	\$ (4,843,826)	\$ 1,975,821	\$ (1,274,163)	\$ 701,658

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