



RONALD MCDONALD HOUSE
OF DELAWARE

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

May 9, 2018

To the Board of Directors
Ronald McDonald House of Delaware, Inc.
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of Ronald McDonald House of Delaware, Inc., a nonprofit organization, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

To the Board of Directors
Ronald McDonald House of Delaware, Inc.

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 Ronald McDonald House of Delaware, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2017, Ronald McDonald House of Delaware, Inc. adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-14. Our opinion is not modified with respect to this matter.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 439,373	\$ 439,303
Cash and cash equivalents - restricted	26,564	142,273
Contributions receivable	58,413	116,248
Prepaid expenses	22,102	25,133
Property and equipment, net	6,225,640	6,279,119
Investments	5,346,649	4,758,533
TOTAL ASSETS	\$ 12,118,741	\$ 11,760,609
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 54,884	\$ 80,441
Other accrued expenses	41,000	30,199
Deferred revenue	18,382	3,000
TOTAL LIABILITIES	114,266	113,640
NET ASSETS		
Without donor restriction	11,481,661	11,008,446
With donor restriction	522,814	638,523
TOTAL NET ASSETS	12,004,475	11,646,969
TOTAL LIABILITIES AND NET ASSETS	\$ 12,118,741	\$ 11,760,609

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 1,655,662	\$ 72,775	\$ 1,728,437
Special events revenue	558,838	-	558,838
Less: Direct benefit costs	(181,647)	-	(181,647)
Net Revenue from Special Events	377,191	-	377,191
RMH room donations/fees	55,743	-	55,743
Other income	101,459	-	101,459
Net assets released from restriction	188,484	(188,484)	-
Total Revenues and Other Support	2,378,539	(115,709)	2,262,830
EXPENSES			
Program services	1,977,148	-	1,977,148
Support services:			
Management and general	199,555	-	199,555
Fund raising	390,413	-	390,413
Total Expenses	2,567,116	-	2,567,116
CHANGES IN NET ASSETS FROM OPERATIONS	(188,577)	(115,709)	(304,286)
INVESTMENT INCOME, NET	661,792	-	661,792
CHANGE IN NET ASSETS	473,215	(115,709)	357,506
Net Assets - Beginning of Year	11,008,446	638,523	11,646,969
NET ASSETS - END OF YEAR	\$ 11,481,661	\$ 522,814	\$ 12,004,475

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 1,446,961	\$ 150,986	\$ 1,597,947
Special events revenue	822,701	-	822,701
Less: Direct benefit costs	(297,796)	-	(297,796)
Net Revenue from Special Events	524,905	-	524,905
RMH room donations/fees	58,330	-	58,330
Other income	105,449	-	105,449
Net assets released from restriction	102,856	(102,856)	-
Total Revenues and Other Support	2,238,501	48,130	2,286,631
EXPENSES			
Program services	1,854,402	-	1,854,402
Support services:			
Management and general	195,174	-	195,174
Fund raising	373,993	-	373,993
Total Expenses	2,423,569	-	2,423,569
CHANGES IN NET ASSETS FROM OPERATIONS	(185,068)	48,130	(136,938)
INVESTMENT INCOME, NET	330,318	-	330,318
CHANGE IN NET ASSETS	145,250	48,130	193,380
Net Assets - Beginning of Year	10,863,196	590,393	11,453,589
NET ASSETS - END OF YEAR	\$ 11,008,446	\$ 638,523	\$ 11,646,969

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services			Support Services		
	Ronald McDonald Housing	Ronald McDonald Family Room	Total	Management and General	Fund Raising	Total
Salaries	\$ 508,987	\$ 41,091	\$ 550,078	\$ 103,708	\$ 207,963	\$ 861,749
Benefits	89,583	-	89,583	18,490	33,830	141,903
Payroll taxes	39,625	-	39,625	8,177	15,096	62,898
Total Salaries and Related Expenses	638,195	41,091	679,286	130,375	256,889	1,066,550
Bank charges	12,335	-	12,335	881	4,405	17,621
Cleaning services	104,321	-	104,321	5,796	5,796	115,913
Contract services	77,488	-	77,488	9,116	4,558	91,162
Depreciation	371,272	-	371,272	20,626	20,626	412,524
Direct mailings	96,096	-	96,096	-	56,438	152,534
Dues and subscriptions	4,279	-	4,279	267	802	5,348
House supplies	91,341	75	91,416	-	-	91,416
Insurance	58,993	-	58,993	3,470	6,940	69,403
Laundry and linens	54,968	-	54,968	-	-	54,968
Merchandise	3,043	-	3,043	-	-	3,043
Miscellaneous	63,837	-	63,837	-	-	63,837
Office supplies	15,374	-	15,374	3,296	3,295	21,965
Postage and delivery	4,442	-	4,442	1,185	296	5,923
Printing and publishing	55,623	-	55,623	7,946	15,892	79,461
Professional fees	21,353	-	21,353	4,271	2,847	28,471
Repairs and maintenance	68,062	-	68,062	1,433	2,149	71,644
Social services	33,168	-	33,168	-	-	33,168
Telephone	27,770	-	27,770	1,543	1,543	30,856
Training and seminars	5,573	-	5,573	1,115	743	7,431
Travel	8,331	-	8,331	1,562	521	10,414
Utilities	110,807	-	110,807	6,156	6,156	123,119
Volunteer expenses	9,311	-	9,311	517	517	10,345
Total Expenses	<u>\$ 1,935,982</u>	<u>\$ 41,166</u>	<u>\$ 1,977,148</u>	<u>\$ 199,555</u>	<u>\$ 390,413</u>	<u>\$ 2,567,116</u>

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services			Support Services		
	Ronald McDonald Housing	Ronald McDonald Family Room	Total	Management and General	Fund Raising	Total
Salaries	\$ 483,183	\$ 34,743	\$ 517,926	\$ 108,205	\$ 212,441	\$ 838,572
Benefits	68,279	-	68,279	14,093	25,785	108,157
Payroll taxes	35,651	-	35,651	7,357	13,582	56,590
Total Salaries and Related Expenses	587,113	34,743	621,856	129,655	251,808	1,003,319
Bank charges	12,670	-	12,670	905	4,525	18,100
Cleaning services	95,247	-	95,247	5,291	5,291	105,829
Contract services	62,573	-	62,573	7,362	3,681	73,616
Depreciation	346,656	-	346,656	19,259	19,259	385,174
Direct mailings	89,473	-	89,473	-	52,547	142,020
Dues and subscriptions	5,884	-	5,884	368	1,103	7,355
House supplies	85,939	75	86,014	-	-	86,014
Insurance	49,487	-	49,487	2,911	5,822	58,220
Laundry and linens	55,094	-	55,094	-	-	55,094
Merchandise	3,520	-	3,520	-	-	3,520
Miscellaneous	66,521	-	66,521	-	-	66,521
Office supplies	7,244	-	7,244	1,554	1,553	10,351
Postage and delivery	7,157	-	7,157	1,909	477	9,543
Printing and publishing	37,782	-	37,782	5,397	10,795	53,974
Professional fees	38,992	-	38,992	7,798	5,199	51,989
Repairs and maintenance	87,858	-	87,858	1,850	2,774	92,482
Social services	24,837	-	24,837	-	-	24,837
Telephone	22,967	-	22,967	1,276	1,276	25,519
Training and seminars	5,672	-	5,672	1,134	756	7,562
Travel	11,023	-	11,023	2,067	689	13,779
Utilities	106,681	-	106,681	5,927	5,927	118,535
Volunteer expenses	9,194	-	9,194	511	511	10,216
Total Expenses	<u>\$ 1,819,584</u>	<u>\$ 34,818</u>	<u>\$ 1,854,402</u>	<u>\$ 195,174</u>	<u>\$ 373,993</u>	<u>\$ 2,423,569</u>

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 357,506	\$ 193,380
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	412,524	385,174
Realized/unrealized gain on investments	(554,590)	(241,503)
Changes in operating assets and liabilities:		
Decrease (Increase) in contributions receivable	57,835	(11,128)
Decrease in prepaid expenses	3,031	36,166
Increase in deferred revenue	15,382	950
Decrease in accounts payable	(25,557)	(69,514)
Increase in other accrued expenses	10,801	5,650
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>276,932</u>	<u>299,175</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(359,045)	(102,514)
Proceeds from sale of investments	11,559	88,838
Investment purchases	(45,085)	(77,993)
NET CASH USED BY INVESTMENT ACTIVITIES	<u>(392,571)</u>	<u>(91,669)</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(115,639)	207,506
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>581,576</u>	<u>374,070</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 465,937</u>	<u>\$ 581,576</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 439,373	\$ 439,303
Cash and cash equivalents - restricted	26,564	142,273
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 465,937</u>	<u>\$ 581,576</u>

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization

The Ronald McDonald House of Delaware, Inc. (the "Organization") is a Delaware 501(c)(3) nonprofit charitable corporation formed on March 13, 1987. The mission of the Organization is to provide nurturing and supportive environments and services to directly improve the health and well-being of children and to bring comfort to our families. The Organization ascribes to the following core values: we are compassionate to families and children through dedicated volunteers and staff, we are attentive to the needs of the families, the hospital and the community, we are responsible both fiscally and emotionally with pride and stewardship toward our facilities and we are engaged in making the lives of families better during their stay.

We fulfill our mission through the 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 are operated by the Organization:

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 Wilmington, Delaware, which provides 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 Nemours/Alfred I. duPont Hospital for Children, Christiana Hospital, and Kent General Hospital 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 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont'd)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for doubtful accounts as of December 31, 2017 and 2016.

Contributions Receivable

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

The Organization is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont'd)

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

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 \$1,500 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	5 - 40 Years
Office furniture and equipment	3 - 10 Years

Impairment of Long-lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

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 restriction unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as net assets with donor restriction. 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 restriction to net assets without donor restriction at that time.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont'd)

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.

Deferred Revenue

Income from sponsorships received in advance of future special events is deferred and recognized over the periods to which the sponsorships relate.

Net Assets

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

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions or law.

Net Assets With Donor Restriction – Net assets subject to restrictions imposed by donor or law. These restrictions may be removed either by actions of the Organization or the passage of time, or may exist in perpetuity.

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 restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Direct Mail

Direct mail costs are charged to operations when the activity first takes place. Direct mail costs include expenses of printing and postage for brochures and newsletters which have a specific appeal for contributions.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont'd)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort as well as depreciation, utilities, and cleaning services, which are allocated on an approximate square-footage basis. The allocation of joint costs for programmatic activities which include a fund-raising appeal is discussed in Note 13.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Implementation of FASB ASU 2016-14

During the year ended December 31, 2017, the Organization elected to early-implement Financial Accounting Standards Board Accounting Standards Update 2016-14 ("FASB ASU 2016-14"). FASB ASU 2016-14 provides new and expanded guidance for financial reporting for not-for-profit entities. The implementation of FASB ASU 2016-14 has resulted in multiple changes to the Organization's financial reporting. Net assets are now categorized in two categories; net assets with donor restriction and net assets without donor restriction. Investment income is now reported net of direct investment expenses, both on the face of the financial statements and in the notes to the financial statements. The Organization has added additional disclosures related to its financial liquidity and the availability of financial assets for general expenditure within one year from each balance sheet date.

This accounting guidance has been implemented retrospectively; however, the implementation of this guidance did not require restatement of prior accounting period balances.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of pledges and bequests as of December 31:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 48,413	\$ 96,248
One to five years	<u>10,000</u>	<u>20,000</u>
Total	<u>\$ 58,413</u>	<u>\$ 116,248</u>

NOTE 3 FAIR VALUE MEASUREMENTS

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.

The fair values of assets measured on a recurring basis as of December 31, 2017 and 2016 are as follows:

<u>Assets</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value Measurements at December 31, 2017 Using</u>	
			<u>Level 1</u>	<u>Level 2</u>
Investments				
Mutual funds:				
Equity index funds	\$ 1,354,314	\$ 2,726,084	\$ 2,726,084	\$ -
Bond index funds	1,807,606	1,823,722	1,823,722	-
International index funds	446,372	547,760	547,760	-
Pooled asset trust	102,891	103,094	-	103,094
Money market funds	<u>145,989</u>	<u>145,989</u>	<u>145,989</u>	<u>-</u>
Total	<u>\$ 3,857,172</u>	<u>\$ 5,346,649</u>	<u>\$ 5,243,555</u>	<u>\$ 103,094</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 3 FAIR VALUE MEASUREMENTS (cont'd)

Assets	Cost	Fair Value	Fair Value Measurements at December 31, 2016 Using	
			Level 1	Level 2
Investments				
Mutual funds:				
Equity index funds	\$ 1,424,444	\$ 2,495,075	\$ 2,495,075	\$ -
Bond index funds	1,451,724	1,458,940	1,458,940	-
International index funds	408,301	409,054	409,054	-
Pooled asset trust	102,891	101,551	-	101,551
Money market funds	293,913	293,913	293,913	-
Total	<u>\$ 3,681,273</u>	<u>\$ 4,758,533</u>	<u>\$ 4,656,982</u>	<u>\$ 101,551</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Interest and dividend income	\$ 108,199	\$ 89,761
Realized and unrealized gains, net of expenses	<u>553,593</u>	<u>240,557</u>
Investment Income, Net	<u>\$ 661,792</u>	<u>\$ 330,318</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2017	2016
Land	\$ 629,100	\$ 629,100
Building and improvements	9,433,518	9,402,532
Office furniture and equipment	1,680,890	1,352,831
Vehicles	103,849	103,849
Total, at cost	<u>11,847,357</u>	<u>11,488,312</u>
Accumulated depreciation	<u>(5,621,717)</u>	<u>(5,209,193)</u>
Total Property and Equipment	<u>\$ 6,225,640</u>	<u>\$ 6,279,119</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LINE OF CREDIT

The Organization has a \$200,000 unsecured line of credit with M&T Bank. The line of credit bears interest at the floating national commercial rate (4.50 percent at both December 31, 2017 and 2016). The Organization had no balance outstanding at December 31, 2017 and 2016, and did not use the line of credit during 2017 or 2016.

NOTE 6 NET ASSETS

Net Assets Without Donor Restriction

The Board has designated a contingency reserve for organizational continuity based on information retrieved from the Better Business Bureau and for repairs and equipment expenses which may not be anticipated and, therefore, are not covered in a particular year's operating budget (maintenance reserve fund). Net assets without donor restriction, including Board designations, were as follows as of December 31:

	2017	2016
Board designated – contingency reserve	\$ 3,913,953	\$ 3,539,566
Board designated – maintenance reserve	859,160	732,717
Expended (property and equipment)	6,225,640	6,279,119
Undesignated	482,908	457,044
Total Net Assets Without Donor Restriction	\$11,481,661	\$11,008,446

Net Assets With Donor Restriction

Net assets with donor restriction were available for the following programs and purposes as directed by donors as of December 31:

	2017	2016
Ronald McDonald House:		
Boiler	\$ -	\$ 10,000
Emergency assistance	12,065	3,225
Garden work	-	131
HVAC/Ductwork	-	102,500
Kitchen	1,746	5,287
La-Z-Boy	-	5,000
Radios	396	-
Transportation	1,355	4,855
Vendor program	6,395	5,903
Welcome Wagon	510	1,275

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 6 NET ASSETS (cont'd)

	2017	2016
Ronald McDonald Family Room:		
Christiana family room	4,097	4,097
Net assets to be held in perpetuity	496,250	496,250
	<u>\$ 522,814</u>	<u>\$ 638,523</u>

Net Assets to be Held in Perpetuity

The Organization's net assets to be held in perpetuity consist of the original contribution by Mrs. J. Kroc to the Organization. The amount is restricted for funding housing operations. Income from the assets above the original contribution amount of \$496,250 can be spent on Ronald McDonald House operations.

Net assets were released from restrictions as follows:

	2017	2016
Ronald McDonald House:		
ALS	\$ -	\$ 1,793
Birthday party	1,750	-
Boiler	10,000	-
Computer	2,000	800
Development personnel	-	73,203
Emergency assistance	1,060	3,065
Family entertainment	-	1,000
Garden work	131	232
Hotel stays	10,000	-
HVAC replacement	102,500	-
Kitchen	3,540	2,286
La-Z-Boy	5,000	-
Milk	-	786
Radar	30,000	-
Radios	3,604	-
Renovations	-	510
Transportation	3,500	5,136
Vendor program	14,634	13,986
Welcome Wagon	765	-
Ronald McDonald Family Room:		
Christiana family room	-	59
	<u>\$ 188,484</u>	<u>\$ 102,856</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets consist of cash and cash equivalents, including restricted cash and cash equivalents, contributions receivable, prepaid expenses, and investments.

The following reflects the Organization's financial assets as of December 31, 2017 and 2016, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for contingency and maintenance reserves that could be drawn upon if the governing board approves that action.

	2017	2016
Financial assets, at year-end	\$ 5,893,101	\$ 5,481,490
Less those unavailable for general expenditures within one year due to:		
Donor-imposed purpose or time restrictions	522,814	638,523
Board-designated - contingency reserve	3,913,953	3,539,566
Board-designated - maintenance reserve	859,160	732,717
Financial assets available to meet cash needs for general expenditures within one year	\$ 597,174	\$ 930,684

Of the Organization's financial assets subject to donor-imposed purpose or time restrictions, \$496,250 are restricted to be held in perpetuity and, therefore, will not be available for general expenditure within one year of the balance sheet date. Contributions receivable are subject to implied time restrictions. The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses (excluding depreciation), which is approximately \$350,000. The Organization utilizes capital campaign and grant funding for major capital expenditures and utilizes an annual capital budget and, therefore, does not include depreciation expense when evaluating operating expenses for liquidity purposes. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As described in Note 5, the Organization also has an available line of credit in the amount of \$200,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 8 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, 2017 and 2016 are as follows:

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 8 DONATED GOODS AND SERVICES (cont'd)

	2017	2016
Donated materials	\$ 60,865	\$ 59,932
Outside vendor services	33,753	33,434
Total	\$ 94,618	\$ 93,366

In addition, volunteers contributed 42,312 and 42,008 hours of services during 2017 and 2016, respectively. These volunteer hour contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

NOTE 9 RETIREMENT PLAN

The Organization has a Simple IRA retirement plan covering all employees who meet the eligibility requirements. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code if they wish. The Organization contributes a match of employee contributions of up to three percent of an employee's salary. Employer contributions to the plan were \$20,446 and \$20,111 for 2017 and 2016, respectively.

NOTE 10 OPERATING LEASES

The Organization has several non-cancellable operating leases, primarily for office equipment, that expire at various dates through December 2021. Total rental payments under these leases were \$8,496 and \$7,050 in 2017 and 2016, respectively, and are included in contract services on the statement of functional expenses.

Future minimum lease payments in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 8,496
2019	8,496
2020	8,496
2021	3,177
Total	\$ 28,665

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit of \$250,000. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on its cash balances. The uninsured balance was \$121,385 and \$256,226 at December 31, 2017 and 2016, respectively.

NOTE 12 SPECIAL EVENTS

The Organization holds a number of special events each year to raise funds. A summary of the activities for the years ended December 31, 2017 and 2016 is as follows:

	2017		
	Revenue	Expenses	Net Proceeds
Share a Night	\$ 113,005	\$ 20,817	\$ 92,188
Golf outing	322,168	117,405	204,763
Red Shoe Event	30,685	12,431	18,254
Run/Walk 5k	87,765	29,173	58,592
Other events	5,215	1,821	3,394
	\$ 558,838	\$ 181,647	\$ 377,191
	2016		
	Revenue	Expenses	Net Proceeds
American Girl fashion show	\$ 101,167	\$ 70,957	\$ 30,210
Share a Night	120,104	14,982	105,122
Golf outing	314,645	107,047	207,598
Red Shoe Event	32,875	10,980	21,895
Run/Walk 5k	94,758	30,807	63,951
25 th Anniversary	153,179	62,579	90,600
Other events	5,973	444	5,529
	\$ 822,701	\$ 297,796	\$ 524,905

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTES TO FINANCIAL STATEMENTS

NOTE 13 JOINT COSTS OF ACTIVITIES THAT INCLUDE A FUND-RAISING APPEAL

The Organization achieves some of its programmatic goals in direct mail campaigns that include requests for contributions. The costs of conducting those campaigns included joint costs totaling \$152,534 and \$142,020 in 2017 and 2016, respectively, that are not directly attributable to either the programming or the fund-raising component of the activities. Those joint costs were allocated as follows:

	2017	2016
Program services	\$ 96,096	\$ 89,473
Fund raising	56,438	52,547
Total	\$ 152,534	\$ 142,020

NOTE 14 TRANSACTIONS WITH RELATED ENTITIES

Ronald McDonald House Charities ("RMHC") is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC-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.

Ronald McDonald House Charities, Inc. ("RMHC Global"), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC 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. During the years ended December 31, 2017 and 2016, the Organization received from Ronald McDonald House Charities of the Philadelphia Region, Inc. \$227,942 and \$218,665, respectively, from these revenue streams.

NOTE 15 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through May 9, 2018, the date the financial statements were available to be issued.