



RONALD MCDONALD HOUSE
OF DELAWARE

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

T 302.478.8940
F 302.468.4001
www.btcpa.com

April 18, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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.

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 490,906	\$ 439,373
Cash and cash equivalents - restricted	282,495	26,564
Contributions receivable	245,799	58,413
Prepaid expenses	17,114	22,102
Investments	5,175,475	5,346,649
Property and equipment, net	5,932,666	6,225,640
TOTAL ASSETS	\$ 12,144,455	\$ 12,118,741
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 112,462	\$ 54,884
Other accrued expenses	34,315	41,000
Deferred revenue	25,862	18,382
TOTAL LIABILITIES	172,639	114,266
NET ASSETS		
Without donor restriction	11,093,071	11,481,661
With donor restriction	878,745	522,814
TOTAL NET ASSETS	11,971,816	12,004,475
TOTAL LIABILITIES AND NET ASSETS	\$ 12,144,455	\$ 12,118,741

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 1,980,121	\$ 386,451	\$ 2,366,572
Special events revenue	644,830	-	644,830
Less: Direct benefit costs	(182,292)	-	(182,292)
Net Revenue from Special Events	462,538	-	462,538
RMH room donations/fees	53,678	-	53,678
Other income	6,357	-	6,357
Net assets released from restriction	30,520	(30,520)	-
Total Revenues and Other Support	2,533,214	355,931	2,889,145
EXPENSES			
Program services	2,058,154	-	2,058,154
Support services:			
Management and general	230,013	-	230,013
Fund raising	412,393	-	412,393
Total Expenses	2,700,560	-	2,700,560
CHANGES IN NET ASSETS FROM OPERATIONS	(167,346)	355,931	188,585
INVESTMENT LOSS, NET	(221,244)	-	(221,244)
CHANGE IN NET ASSETS	(388,590)	355,931	(32,659)
Net Assets - Beginning of Year	11,481,661	522,814	12,004,475
NET ASSETS - END OF YEAR	\$ 11,093,071	\$ 878,745	\$ 11,971,816

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	\$ 1,750,280	\$ 72,775	\$ 1,823,055
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	6,841	-	6,841
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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services			Support Services		
	Ronald McDonald Housing	Ronald McDonald Family Room	Total	Management and General	Fund Raising	Total
Salaries	\$ 511,085	\$ 44,737	\$ 555,822	\$ 114,693	\$ 211,741	\$ 882,256
Benefits	102,501	-	102,501	21,151	39,048	162,700
Payroll taxes	40,723	-	40,723	8,403	15,513	64,639
Total Salaries and Related Expenses	654,309	44,737	699,046	144,247	266,302	1,109,595
Bank charges	9,905	-	9,905	707	3,537	14,149
Cleaning services	88,271	-	88,271	4,904	4,904	98,079
Contract services	90,297	-	90,297	10,623	5,312	106,232
Depreciation	384,039	-	384,039	21,335	21,335	426,709
Direct mailings	101,812	-	101,812	-	59,795	161,607
Dues and subscriptions	4,519	-	4,519	283	848	5,650
House supplies	89,147	-	89,147	-	-	89,147
Insurance	62,448	-	62,448	3,673	7,347	73,468
Laundry and linens	58,174	-	58,174	-	-	58,174
Merchandise	4,125	-	4,125	-	-	4,125
Miscellaneous	42,516	1,355	43,871	-	-	43,871
Office supplies	14,926	-	14,926	3,199	3,199	21,324
Postage and delivery	6,949	-	6,949	1,853	463	9,265
Printing and publishing	53,072	-	53,072	7,582	15,164	75,818
Professional fees	84,017	-	84,017	16,803	11,202	112,022
Repairs and maintenance	63,249	-	63,249	1,332	1,997	66,578
Social services	24,032	-	24,032	-	-	24,032
Telephone	28,323	-	28,323	1,573	1,573	31,469
Training and seminars	14,283	-	14,283	2,857	1,905	19,045
Travel	12,253	-	12,253	2,298	766	15,317
Utilities	108,926	-	108,926	6,051	6,051	121,028
Volunteer expenses	12,470	-	12,470	693	693	13,856
Total Expenses	<u>\$ 2,012,062</u>	<u>\$ 46,092</u>	<u>\$ 2,058,154</u>	<u>\$ 230,013</u>	<u>\$ 412,393</u>	<u>\$ 2,700,560</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, 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	\$ 1,935,982	\$ 41,166	\$ 1,977,148	\$ 199,555	\$ 390,413	\$ 2,567,116

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (32,659)	\$ 357,506
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	426,709	412,524
Realized/unrealized (losses) gains on investments, net of expenses	343,770	(553,593)
Changes in operating assets and liabilities:		
(Increase) Decrease in contributions receivable	(187,386)	57,835
Decrease in prepaid expenses	4,988	3,031
Increase in deferred revenue	7,480	15,382
Increase (Decrease) in accounts payable	57,578	(25,557)
(Decrease) Increase in other accrued expenses	(6,685)	10,801
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>613,795</u>	<u>277,929</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(133,735)	(359,045)
Proceeds from sale of investments	39,958	11,559
Investment purchases	<u>(212,554)</u>	<u>(46,082)</u>
NET CASH USED BY INVESTMENT ACTIVITIES	<u>(306,331)</u>	<u>(393,568)</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	307,464	(115,639)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>465,937</u>	<u>581,576</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 773,401</u>	<u>\$ 465,937</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	\$ 490,906	\$ 439,373
Cash and cash equivalents - restricted	282,495	26,564
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 773,401</u>	<u>\$ 465,937</u>

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 AND 2017

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.

Restricted Cash

Restricted cash consists of funds held in the Organization's bank accounts which is subject to donor imposed restrictions on its use.

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 if significantly different from net realizable value. 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.

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.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

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

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.

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 restriction.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

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

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.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses not directly attributable to a specific category 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.

NOTE 2 CONTRIBUTIONS RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 95,799	\$ 48,413
One to five years	<u>150,000</u>	<u>10,000</u>
Total	<u>\$ 245,799</u>	<u>\$ 58,413</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

NOTE 3 FAIR VALUE MEASUREMENTS

The fair values of assets measured on a recurring basis as of December 31, 2018 and 2017 are as follows:

Assets	Cost	Fair Value	Fair Value Measurements at December 31, 2018 Using	
			Level 1	Level 2
Investments				
Mutual funds:				
Equity index funds	\$ 1,382,147	\$ 2,577,314	\$ 2,577,314	\$ -
Bond index funds	1,940,104	1,913,582	1,913,582	-
International index funds	460,905	468,702	468,702	-
Pooled asset trust	102,891	103,094	-	103,094
Money market funds	112,783	112,783	112,783	-
Total	\$ 3,998,830	\$ 5,175,475	\$ 5,072,381	\$ 103,094

Assets	Cost	Fair Value	Fair Value Measurements at December 31, 2017 Using	
			Level 1	Level 2
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	145,989	145,989	145,989	-
Total	\$ 3,857,172	\$ 5,346,649	\$ 5,243,555	\$ 103,094

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Interest and dividend income	\$ 122,526	\$ 108,199
Realized and unrealized (losses) gains, net of expenses	(343,770)	553,593
Investment (Loss) Income, Net	\$ (221,244)	\$ 661,792

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 629,100	\$ 629,100
Building and improvements	9,536,143	9,433,518
Office furniture and equipment	1,711,825	1,680,715
Vehicles	103,849	103,849
Total, at cost	<u>11,980,917</u>	<u>11,847,182</u>
Accumulated depreciation	<u>(6,048,251)</u>	<u>(5,621,542)</u>
Total Property and Equipment	<u>\$ 5,932,666</u>	<u>\$ 6,225,640</u>

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, 2018 and 2017). The Organization had no balance outstanding at December 31, 2018 and 2017, and did not use the line of credit during 2018 or 2017.

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:

	<u>2018</u>	<u>2017</u>
Board designated – contingency reserve	\$ 3,838,606	\$ 3,913,953
Board designated – maintenance reserve	842,621	859,160
Expended (property and equipment)	5,932,666	6,225,640
Undesignated	<u>479,178</u>	<u>482,908</u>
Total Net Assets Without Donor Restriction	<u>\$ 11,093,071</u>	<u>\$ 11,481,661</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

NOTE 6 NET ASSETS (cont'd)

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:

	<u>2018</u>	<u>2017</u>
Ronald McDonald House:		
Capital projects	\$ 260,000	\$ -
Emergency assistance	9,754	12,065
Kitchen	-	1,746
Radios	396	396
Time restricted	100,000	-
Transportation	1,355	1,355
Vendor program	8,248	6,395
Welcome Wagon	-	510
Ronald McDonald Family Room:		
Christiana family room	2,742	4,097
Net assets to be held in perpetuity	<u>496,250</u>	<u>496,250</u>
	<u>\$ 878,745</u>	<u>\$ 522,814</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:

	<u>2018</u>	<u>2017</u>
Ronald McDonald House:		
Birthday party	\$ 451	\$ 1,750
Boiler	-	10,000
Computer	-	2,000
Eggs	400	-
Emergency assistance	2,311	1,060
Garden work	-	131
Hotel stays	-	10,000
HVAC replacement	-	102,500

RONALD MCDONALD HOUSE OF DELAWARE, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 6 NET ASSETS (cont'd)

	2018	2017
(cont'd)		
Interactive tables	10,718	-
Kitchen	1,746	3,540
La-Z-Boy	-	5,000
Radar	-	30,000
Radios	-	3,604
Transportation	-	3,500
Vendor program	13,029	14,634
Welcome Wagon	510	765
Ronald McDonald Family Room:		
Christiana family room	1,355	-
	\$ 30,520	\$ 188,484

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, 2018 and 2017, 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.

	2018	2017
Financial assets, at year-end	\$ 6,211,789	\$ 5,893,101
Less those unavailable for general expenditures within one year due to:		
Donor-imposed purpose or time restrictions	878,745	522,814
Board-designated - contingency reserve	3,838,606	3,913,953
Board-designated - maintenance reserve	842,621	859,160
Financial assets available to meet cash needs for general expenditures within one year	\$ 651,817	\$ 597,174

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LIQUIDITY AND AVAILABILITY OF RESOURCES (cont'd)

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.

The Organization is currently raising funds for a five-year capital plan.

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Donated materials	\$ 57,140	\$ 60,865
Outside vendor services	<u>107,514</u>	<u>33,753</u>
Total	<u>\$ 164,654</u>	<u>\$ 94,618</u>

In addition, volunteers contributed 44,105 and 42,312 hours of services during 2018 and 2017, 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 401(k) 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 \$26,496 and \$20,446 for 2018 and 2017, respectively.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

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 per year in 2018 and 2017, and are included in contract services on the statement of functional expenses.

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

Year Ending December 31,

2019	\$ 8,496
2020	8,496
2021	<u>3,177</u>
 Total	 <u>\$ 20,169</u>

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 \$424,466 and \$121,385 at December 31, 2018 and 2017, 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, 2018 and 2017 is as follows:

	<u>2018</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net Proceeds</u>
Share a Night	\$ 170,662	\$ 24,222	\$ 146,440
Golf outing	330,533	108,526	222,007
Red Shoe Event	25,759	12,644	13,115
Run/Walk 5k	94,656	27,234	67,422
Character breakfast	18,112	9,666	8,446
Other events	<u>5,108</u>	<u>-</u>	<u>5,108</u>
	<u>\$ 644,830</u>	<u>\$ 182,292</u>	<u>\$ 462,538</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

NOTE 12 SPECIAL EVENTS (cont'd)

	2017		Net Proceeds
	Revenue	Expenses	
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

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 \$161,607 and \$152,534 in 2018 and 2017, 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:

	2018	2017
Program services	\$ 101,812	\$ 96,096
Fund-raising	59,795	56,438
Total	\$ 161,607	\$ 152,534

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 OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTES TO FINANCIAL STATEMENTS

NOTE 14 TRANSACTIONS WITH RELATED ENTITIES (cont'd)

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, 2018 and 2017, the Organization received from Ronald McDonald House Charities of the Philadelphia Region, Inc. \$222,499 and \$227,942, respectively, from these revenue streams.

NOTE 15 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through April 18, 2019, the date the financial statements were available to be issued.