



RONALD MCDONALD HOUSE
OF DELAWARE

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31, 2019 AND 2018**

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

May 5, 2020

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, 2019 and 2018, 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

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

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House of Delaware, Inc. as of December 31, 2019 and 2018, 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, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 579,715	\$ 490,906
Cash and cash equivalents - restricted	292,620	282,495
Contributions receivable	210,839	245,799
Prepaid expenses	33,190	17,114
Investments	6,243,878	5,175,475
Property and equipment, net	5,705,592	5,932,666
TOTAL ASSETS	\$ 13,065,834	\$ 12,144,455
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 74,671	\$ 112,462
Other accrued expenses	38,594	34,315
Deferred revenue	14,855	25,862
TOTAL LIABILITIES	128,120	172,639
NET ASSETS		
Without donor restriction	12,098,844	11,093,071
With donor restriction	838,870	878,745
TOTAL NET ASSETS	12,937,714	11,971,816
TOTAL LIABILITIES AND NET ASSETS	\$ 13,065,834	\$ 12,144,455

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 1,861,280	\$ 216,850	\$ 2,078,130
Special events revenue	684,931	-	684,931
Less: Direct benefit costs	(194,505)	-	(194,505)
Net Revenue from Special Events	490,426	-	490,426
RMH room donations/fees	57,968	-	57,968
Other income	6,113	-	6,113
Net assets released from restriction	256,725	(256,725)	-
Total Revenues and Other Support	2,672,512	(39,875)	2,632,637
EXPENSES			
Program services	2,037,090	-	2,037,090
Support services:			
Management and general	234,708	-	234,708
Fund raising	439,894	-	439,894
Total Expenses	2,711,692	-	2,711,692
CHANGES IN NET ASSETS FROM OPERATIONS	(39,180)	(39,875)	(79,055)
INVESTMENT INCOME, NET	1,044,953	-	1,044,953
CHANGE IN NET ASSETS	1,005,773	(39,875)	965,898
Net Assets - Beginning of Year	11,093,071	878,745	11,971,816
NET ASSETS - END OF YEAR	\$ 12,098,844	\$ 838,870	\$ 12,937,714

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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services			Support Services		
	Ronald McDonald Housing	Ronald McDonald Family Room	Total	Management and General	Fund Raising	Total
Salaries	\$ 561,550	\$ 48,384	\$ 609,934	\$ 125,859	\$ 232,356	\$ 968,149
Benefits	122,764	-	122,764	25,332	46,767	194,863
Payroll taxes	44,647	-	44,647	9,213	17,009	70,869
Total Salaries and Related Expenses	728,961	48,384	777,345	160,404	296,132	1,233,881
Bank charges	14,793	-	14,793	1,057	5,284	21,134
Cleaning services	96,296	-	96,296	5,350	5,350	106,996
Contract services	88,659	-	88,659	10,431	5,215	104,305
Depreciation	373,968	-	373,968	20,776	20,776	415,520
Direct mailings	112,399	-	112,399	-	66,012	178,411
Dues and subscriptions	4,346	-	4,346	272	815	5,433
House supplies	44,346	-	44,346	-	-	44,346
Insurance	55,382	-	55,382	3,258	6,516	65,156
Laundry and linens	54,005	-	54,005	-	-	54,005
Merchandise	6,890	-	6,890	-	-	6,890
Miscellaneous	31,546	2,686	34,232	-	-	34,232
Office supplies	15,669	-	15,669	3,358	3,358	22,385
Postage and delivery	6,600	-	6,600	1,760	440	8,800
Printing and publishing	44,363	-	44,363	6,338	12,675	63,376
Professional fees	36,852	-	36,852	7,370	4,914	49,136
Repairs and maintenance	58,893	-	58,893	1,240	1,860	61,993
Social services	40,310	-	40,310	-	-	40,310
Telephone	29,670	-	29,670	1,648	1,648	32,966
Training and seminars	11,658	-	11,658	2,332	1,555	15,545
Travel	14,163	-	14,163	2,655	885	17,703
Utilities	101,551	-	101,551	5,642	5,642	112,835
Volunteer expenses	14,700	-	14,700	817	817	16,334
Total Expenses	<u>\$ 1,986,020</u>	<u>\$ 51,070</u>	<u>\$ 2,037,090</u>	<u>\$ 234,708</u>	<u>\$ 439,894</u>	<u>\$ 2,711,692</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, 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	1,355	5,480	-	-	5,480
Miscellaneous	42,516	-	42,516	-	-	42,516
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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 965,898	\$ (32,659)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	415,520	426,709
Realized/unrealized (gains) losses on investments, net of expenses	(900,778)	343,770
Changes in operating assets and liabilities:		
Decrease (Increase) in contributions receivable	34,960	(187,386)
(Increase) Decrease in prepaid expenses	(16,076)	4,988
(Decrease) Increase in deferred revenue	(11,007)	7,480
(Decrease) Increase in accounts payable	(37,791)	57,578
Increase (Decrease) in other accrued expenses	4,279	(6,685)
NET CASH PROVIDED BY OPERATING ACTIVITIES	455,005	613,795
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(188,446)	(133,735)
Proceeds from sale of investments	365,045	39,958
Investment purchases	(532,670)	(212,554)
NET CASH USED BY INVESTMENT ACTIVITIES	(356,071)	(306,331)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	98,934	307,464
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	773,401	465,937
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 872,335	\$ 773,401
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -
 RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 579,715	\$ 490,906
Cash and cash equivalents - restricted	292,620	282,495
TOTAL CASH AND CASH EQUIVALENTS	\$ 872,335	\$ 773,401

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

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 serve families with seriously ill children by enabling access to medical care and to provide a place that offers comfort, hope, and togetherness. 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, 2019 AND 2018

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, 2019 AND 2018

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
Vehicles	5 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, 2019 AND 2018

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, 2019 AND 2018

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>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 110,839	\$ 95,799
One to five years	<u>100,000</u>	<u>150,000</u>
Total	<u>\$ 210,839</u>	<u>\$ 245,799</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO FINANCIAL STATEMENTS

NOTE 3 FAIR VALUE MEASUREMENTS

The fair values of assets measured on a recurring basis as of December 31, 2019 and 2018 are as follows:

<u>Assets</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value Measurements at December 31, 2019 Using</u>	
			<u>Level 1</u>	<u>Level 2</u>
Investments				
Mutual funds:				
Equity index funds	\$ 1,355,408	\$ 3,047,426	\$ 3,047,426	\$ -
Bond index funds	2,267,916	2,341,521	2,341,521	-
International index funds	517,131	609,708	609,708	-
Pooled asset trust	102,891	105,526	-	105,526
Money market funds	139,697	139,697	139,697	-
Total	\$ 4,383,043	\$ 6,243,878	\$ 6,138,352	\$ 105,526

<u>Assets</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value Measurements at December 31, 2018 Using</u>	
			<u>Level 1</u>	<u>Level 2</u>
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

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 144,048	\$ 122,526
Realized and unrealized (losses) gains, net of expenses	<u>900,905</u>	<u>(343,770)</u>
Investment (Loss) Income, Net	<u>\$ 1,044,953</u>	<u>\$ (221,244)</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO FINANCIAL STATEMENTS

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 629,100	\$ 629,100
Building and improvements	9,624,313	9,536,143
Office furniture and equipment	1,764,941	1,711,825
Vehicles	151,009	103,849
Total, at cost	<u>12,169,363</u>	<u>11,980,917</u>
Accumulated depreciation	<u>(6,463,771)</u>	<u>(6,048,251)</u>
Total Property and Equipment, Net	<u>\$ 5,705,592</u>	<u>\$ 5,932,666</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, 2019 and 2018). The Organization had no balance outstanding at December 31, 2019 and 2018, and did not use the line of credit during 2019 or 2018.

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>2019</u>	<u>2018</u>
Board designated – contingency reserve	\$ 4,752,888	\$ 3,838,606
Board designated – maintenance reserve	1,043,317	842,621
Expended (property and equipment)	5,705,592	5,932,666
Undesignated	<u>597,047</u>	<u>479,178</u>
Total Net Assets Without Donor Restriction	<u>\$ 12,098,844</u>	<u>\$ 11,093,071</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

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:

	2019	2018
Ronald McDonald House:		
Capital projects	\$ 275,792	\$ 260,000
Emergency assistance	-	9,754
Radios	396	396
Time restricted	50,000	100,000
Transportation	1,355	1,355
Vendor program	15,077	8,248
Ronald McDonald Family Room:		
Christiana family room	-	2,742
Net assets to be held in perpetuity	496,250	496,250
	\$ 838,870	\$ 878,745

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:

	2019	2018
Ronald McDonald House:		
Birthday party	\$ -	\$ 451
Eggs	-	400
Emergency assistance	9,754	2,311
Interactive tables	-	10,718
Kitchen	-	1,746
Handicap automobile	35,000	-
Playroom renovation	13,541	-
Sensory room	13,530	-

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO FINANCIAL STATEMENTS

NOTE 6 NET ASSETS (cont'd)

	2019	2018
(cont'd)		
Hospitality cart	2,500	-
Vendor program	8,026	13,029
Welcome Wagon	-	510
Capital projects	121,632	-
Ronald McDonald Family Room:		
Christiana family room	2,742	1,355
Passage of Time	50,000	-
	\$ 256,725	\$ 30,520

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, and investments.

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, 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.

	2019	2018
Financial assets, at year-end	\$ 7,327,052	\$ 6,194,675
Less those unavailable for general expenditures within one year due to:		
Donor-imposed purpose or time restrictions	838,870	878,745
Board-designated - contingency reserve	4,752,888	3,838,606
Board-designated - maintenance reserve	1,043,317	842,621
Financial assets available to meet cash needs for general expenditures within one year	\$ 691,977	\$ 634,703

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

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO FINANCIAL STATEMENTS

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

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 \$380,000. 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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Donated materials	\$ 22,866	\$ 57,140
Outside vendor services	<u>20,387</u>	<u>107,514</u>
Total	<u>\$ 43,253</u>	<u>\$ 164,654</u>

In addition, volunteers contributed 46,668 and 44,105 hours of services during 2019 and 2018, 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 four percent of an employee's salary. Employer contributions to the plan were \$35,874 and \$26,496 for 2019 and 2018, respectively.

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

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 2019 and 2018, 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>	
2020	\$ 8,496
2021	<u>3,177</u>
Total	<u>\$ 11,673</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 per financial institution. 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 \$521,562 and \$424,466 at December 31, 2019 and 2018, 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, 2019 and 2018 is as follows:

	<u>2019</u>		<u>Net Proceeds</u>
	<u>Revenue</u>	<u>Expenses</u>	
Share a Night	\$ 173,354	\$ 19,206	\$ 154,148
Golf outing	362,847	126,571	236,276
Run/Walk 5k	113,998	33,146	80,852
Character breakfast	32,570	15,534	17,036
Other events	<u>2,162</u>	<u>48</u>	<u>2,114</u>
	<u>\$ 684,931</u>	<u>\$ 194,505</u>	<u>\$ 490,426</u>

RONALD MCDONALD HOUSE OF DELAWARE, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO FINANCIAL STATEMENTS

NOTE 12 SPECIAL EVENTS (cont'd)

	2018		Net Proceeds
	Revenue	Expenses	
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	5,108	-	5,108
	\$ 644,830	\$ 182,292	\$ 462,538

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 \$178,411 and \$161,607 in 2019 and 2018, 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:

	2019	2018
Program services	\$ 112,399	\$ 101,812
Fund-raising	66,012	59,795
Total	\$ 178,411	\$ 161,607

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, 2019 AND 2018

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, 2019 and 2018, the Organization received from Ronald McDonald House Charities of the Philadelphia Region, Inc. \$376,367 and \$322,499, respectively, from these revenue streams. Also, in 2019, the Organization entered into a new affiliation agreement with Ronald McDonald House Charities of the Philadelphia Region, Inc.

NOTE 15 SUBSEQUENT EVENTS

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including the receipt of contributions and collections on outstanding pledges receivable. In addition, both domestic and international equity markets have experienced significant declines since December 31, 2019. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

The Organization has evaluated all subsequent events through May 5, 2020, the date the financial statements were available to be issued.