



RONALD MCDONALD HOUSE  
OF DELAWARE

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

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

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RONALD MCDONALD HOUSE OF DELAWARE, INC.

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## INDEPENDENT AUDITOR'S REPORT

May 2, 2017

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 AND 2015**

|   | 2016                 | 2015                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>                               |                      |                      |
| <b>CURRENT ASSETS:</b>                      |                      |                      |
| Cash and cash equivalents                   | \$ 439,303           | \$ 279,927           |
| Cash and cash equivalents - restricted      | 142,273              | 94,143               |
| Accounts receivable                         | 106,248              | 85,120               |
| Prepaid expenses                            | 25,133               | 61,299               |
| <b>TOTAL CURRENT ASSETS</b>                 | <b>712,957</b>       | <b>520,489</b>       |
| <b>NONCURRENT ASSETS:</b>                   |                      |                      |
| Accounts receivable                         | 10,000               | 20,000               |
| Building and equipment                      |                      |                      |
| Land  | 629,100              | 629,100              |
| Building and building improvements          | 9,402,532            | 9,341,041            |
| Furniture and equipment                     | 1,352,831            | 1,302,790            |
| Vehicles                                    | 103,849              | 103,849              |
| Construction-in-progress                    | -                    | 9,018                |
| Less: accumulated depreciation              | (5,209,193)          | (4,824,019)          |
| Net Building and Equipment                  | 6,279,119            | 6,561,779            |
| Investments                                 | 4,758,533            | 4,527,875            |
| <b>TOTAL NONCURRENT ASSETS</b>              | <b>11,047,652</b>    | <b>11,109,654</b>    |
| <b>TOTAL ASSETS</b>                         | <b>\$ 11,760,609</b> | <b>\$ 11,630,143</b> |
| <b>LIABILITIES AND NET ASSETS</b>           |                      |                      |
| <b>CURRENT LIABILITIES:</b>                 |                      |                      |
| Accounts payable                            | \$ 80,441            | \$ 149,955           |
| Other accrued expenses                      | 30,199               | 24,549               |
| Deferred revenue                            | 3,000                | 2,050                |
| <b>TOTAL CURRENT LIABILITIES</b>            | <b>113,640</b>       | <b>176,554</b>       |
| <b>NET ASSETS:</b>                          |                      |                      |
| Unrestricted                                |                      |                      |
| Board-designated - contingency reserve      | 3,539,566            | 3,322,333            |
| Board-designated - maintenance reserve fund | 732,717              | 729,293              |
| Undesignated                                | 457,044              | 249,791              |
| Expended                                    | 6,279,119            | 6,561,779            |
| Total Unrestricted                          | 11,008,446           | 10,863,196           |
| Temporarily restricted                      | 142,273              | 94,143               |
| Permanently restricted                      | 496,250              | 496,250              |
| <b>TOTAL NET ASSETS</b>                     | <b>11,646,969</b>    | <b>11,453,589</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>     | <b>\$ 11,760,609</b> | <b>\$ 11,630,143</b> |

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

**RONALD MCDONALD HOUSE OF DELAWARE, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

|  | 2016                |                        |                        | 2015                |                     |                        |                        |                     |
|--|---------------------|------------------------|------------------------|---------------------|---------------------|------------------------|------------------------|---------------------|
|  | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               |
| <b>PUBLIC SUPPORT AND REVENUE</b>        |                     |                        |                        |                     |                     |                        |                        |                     |
| Public support received directly:        |                     |                        |                        |                     |                     |                        |                        |                     |
| Contributions                            | \$ 1,446,961        | \$ 150,986             | \$ -                   | \$ 1,597,947        | \$ 1,622,184        | \$ 110,290             | \$ -                   | \$ 1,732,474        |
| Room donations                           | 58,330              | -                      | -                      | 58,330              | 48,764              | -                      | -                      | 48,764              |
| Fund raisers                             | 822,701             | -                      | -                      | 822,701             | 637,424             | -                      | -                      | 637,424             |
| Less: direct expenses                    | (524,905)           | -                      | -                      | (297,796)           | (239,836)           | -                      | -                      | (239,836)           |
| Net fund raisers                         | 2,030,196           | 150,986                | -                      | 2,181,182           | 397,588             | -                      | -                      | 397,588             |
| Total Public Support                     |                     |                        |                        |                     | 2,068,536           | 110,290                | -                      | 2,178,826           |
| Revenue:                                 |                     |                        |                        |                     |                     |                        |                        |                     |
| Merchandise sales                        | 2,618               | -                      | -                      | 2,618               | 2,453               | -                      | -                      | 2,453               |
| In-kind revenue                          | 93,366              | -                      | -                      | 93,366              | 95,779              | -                      | -                      | 95,779              |
| Miscellaneous income                     | 9,465               | -                      | -                      | 9,465               | 6,267               | -                      | -                      | 6,267               |
| Interest and dividends                   | 89,761              | -                      | -                      | 89,761              | 92,023              | -                      | -                      | 92,023              |
| Total Revenue                            | 195,210             | -                      | -                      | 195,210             | 196,522             | -                      | -                      | 196,522             |
| Net assets released from restriction     | 102,856             | (102,856)              | -                      | -                   | 392,591             | (392,591)              | -                      | -                   |
| <b>TOTAL PUBLIC SUPPORT AND REVENUE</b>  | <b>2,328,262</b>    | <b>48,130</b>          | <b>-</b>               | <b>2,376,392</b>    | <b>2,657,649</b>    | <b>(282,301)</b>       | <b>-</b>               | <b>2,375,348</b>    |
| <b>OPERATING EXPENSES</b>                |                     |                        |                        |                     |                     |                        |                        |                     |
| Program services:                        |                     |                        |                        |                     |                     |                        |                        |                     |
| Housing                                  | 1,855,206           | -                      | -                      | 1,855,206           | 1,757,501           | -                      | -                      | 1,757,501           |
| Support services:                        |                     |                        |                        |                     |                     |                        |                        |                     |
| Management and general                   | 195,316             | -                      | -                      | 195,316             | 190,545             | -                      | -                      | 190,545             |
| Fund raising                             | 373,993             | -                      | -                      | 373,993             | 340,605             | -                      | -                      | 340,605             |
| Total Support Services                   | 569,309             | -                      | -                      | 569,309             | 531,150             | -                      | -                      | 531,150             |
| <b>TOTAL OPERATING EXPENSES</b>          | <b>2,424,515</b>    | <b>-</b>               | <b>-</b>               | <b>2,424,515</b>    | <b>2,288,651</b>    | <b>-</b>               | <b>-</b>               | <b>2,288,651</b>    |
| <b>OPERATING (LOSS) INCOME</b>           | <b>(96,253)</b>     | <b>48,130</b>          | <b>-</b>               | <b>(48,123)</b>     | <b>368,998</b>      | <b>(282,301)</b>       | <b>-</b>               | <b>86,697</b>       |
| <b>NONOPERATING GAINS (LOSSES):</b>      |                     |                        |                        |                     |                     |                        |                        |                     |
| Realized gain on investments             | 515                 | -                      | -                      | 515                 | 118,187             | -                      | -                      | 118,187             |
| Unrealized gain (loss) on investments    | 240,988             | -                      | -                      | 240,988             | (200,680)           | -                      | -                      | (200,680)           |
| <b>TOTAL NONOPERATING GAINS (LOSSES)</b> | <b>241,503</b>      | <b>-</b>               | <b>-</b>               | <b>241,503</b>      | <b>(82,493)</b>     | <b>-</b>               | <b>-</b>               | <b>(82,493)</b>     |
| <b>CHANGE IN NET ASSETS</b>              | <b>145,250</b>      | <b>48,130</b>          | <b>-</b>               | <b>193,380</b>      | <b>286,505</b>      | <b>(282,301)</b>       | <b>-</b>               | <b>4,204</b>        |
| <b>NET ASSETS, BEGINNING OF YEAR</b>     | <b>10,863,196</b>   | <b>94,143</b>          | <b>496,250</b>         | <b>11,453,589</b>   | <b>10,576,691</b>   | <b>376,444</b>         | <b>496,250</b>         | <b>11,449,385</b>   |
| <b>NET ASSETS, END OF YEAR</b>           | <b>\$11,008,446</b> | <b>\$ 142,273</b>      | <b>\$ 496,250</b>      | <b>\$11,646,969</b> | <b>\$10,863,196</b> | <b>\$ 94,143</b>       | <b>\$ 496,250</b>      | <b>\$11,453,589</b> |

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

**RONALD MCDONALD HOUSE OF DELAWARE, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

|                                     | 2016                           |                              |                   |                              | 2015                |                                |                              |                   |                              |                     |
|-------------------------------------|--------------------------------|------------------------------|-------------------|------------------------------|---------------------|--------------------------------|------------------------------|-------------------|------------------------------|---------------------|
|                                     | Program<br>Services<br>Housing | Management<br>and<br>General |                   | Support Services             |                     | Program<br>Services<br>Housing | Management<br>and<br>General |                   | Support Services             |                     |
|                                     |                                | Total                        | Fund<br>Raising   | Total<br>Support<br>Services | Fund<br>Raising     |                                | Total<br>Support<br>Services | Fund<br>Raising   | Total<br>Support<br>Services |                     |
| Salaries                            | \$ 517,926                     | \$ 108,205                   | \$ 212,441        | \$ 320,646                   | \$ 838,572          | \$ 510,069                     | \$ 105,272                   | \$ 192,615        | \$ 297,887                   | \$ 807,956          |
| Benefits                            | 68,279                         | 14,093                       | 25,785            | 39,878                       | 108,157             | 91,778                         | 18,943                       | 34,659            | 53,602                       | 145,380             |
| Payroll taxes                       | 35,651                         | 7,357                        | 13,582            | 20,939                       | 56,590              | 37,764                         | 7,792                        | 14,386            | 22,178                       | 59,942              |
| Total Salaries and Related Expenses | 621,856                        | 129,655                      | 251,808           | 381,463                      | 1,003,319           | 639,611                        | 132,007                      | 241,660           | 373,667                      | 1,013,278           |
| Bank charges                        | 12,670                         | 905                          | 4,525             | 5,430                        | 18,100              | 9,496                          | 678                          | 3,392             | 4,070                        | 13,566              |
| Cleaning services                   | 95,247                         | 5,291                        | 5,291             | 10,582                       | 105,829             | 89,996                         | 5,000                        | 5,000             | 10,000                       | 99,996              |
| Contract services                   | 62,573                         | 7,362                        | 3,681             | 11,043                       | 73,616              | 61,746                         | 7,264                        | 3,632             | 10,896                       | 72,642              |
| Depreciation                        | 346,656                        | 19,259                       | 19,259            | 38,518                       | 385,174             | 305,366                        | 16,965                       | 16,965            | 33,930                       | 339,296             |
| Direct mailings                     | 89,473                         | -                            | 52,547            | 52,547                       | 142,020             | 65,225                         | -                            | 38,306            | 38,306                       | 103,531             |
| Dues and subscriptions              | 5,884                          | 368                          | 1,103             | 1,471                        | 7,355               | 2,467                          | 154                          | 462               | 616                          | 3,083               |
| House supplies                      | 86,014                         | -                            | -                 | -                            | 86,014              | 83,010                         | -                            | -                 | -                            | 83,010              |
| Insurance                           | 49,487                         | 2,911                        | 5,822             | 8,733                        | 58,220              | 47,414                         | 2,789                        | 5,578             | 8,367                        | 55,781              |
| Investment expense                  | 804                            | 142                          | -                 | 142                          | 946                 | 866                            | 153                          | -                 | 153                          | 1,019               |
| Laundry and linens                  | 55,094                         | -                            | -                 | -                            | 55,094              | 47,089                         | -                            | -                 | -                            | 47,089              |
| Merchandise                         | 3,520                          | -                            | -                 | -                            | 3,520               | 1,103                          | -                            | -                 | -                            | 1,103               |
| Miscellaneous                       | 66,521                         | -                            | -                 | -                            | 66,521              | 65,708                         | -                            | -                 | -                            | 65,708              |
| Office supplies                     | 7,244                          | 1,554                        | 1,553             | 3,107                        | 10,351              | 3,763                          | 808                          | 807               | 1,615                        | 5,378               |
| Postage and delivery                | 7,157                          | 1,909                        | 477               | 2,386                        | 9,543               | 4,727                          | 1,261                        | 315               | 1,576                        | 6,303               |
| Printing and publishing             | 37,782                         | 5,397                        | 10,795            | 16,192                       | 53,974              | 28,389                         | 4,056                        | 8,111             | 12,167                       | 40,556              |
| Professional fees                   | 38,992                         | 7,798                        | 5,199             | 12,997                       | 51,989              | 35,388                         | 7,078                        | 4,718             | 11,796                       | 47,184              |
| Repairs and maintenance             | 87,858                         | 1,850                        | 2,774             | 4,624                        | 92,482              | 81,338                         | 1,712                        | 2,569             | 4,281                        | 85,619              |
| Social services                     | 24,837                         | -                            | -                 | -                            | 24,837              | 28,887                         | -                            | -                 | -                            | 28,887              |
| Telephone                           | 22,967                         | 1,276                        | 1,276             | 2,552                        | 25,519              | 22,292                         | 1,238                        | 1,238             | 2,476                        | 24,768              |
| Training and seminars               | 5,672                          | 1,134                        | 756               | 1,890                        | 7,562               | 4,646                          | 929                          | 619               | 1,548                        | 6,194               |
| Travel                              | 11,023                         | 2,067                        | 689               | 2,756                        | 13,779              | 9,760                          | 1,830                        | 610               | 2,440                        | 12,200              |
| Utilities                           | 106,681                        | 5,927                        | 5,927             | 11,854                       | 118,535             | 108,684                        | 6,038                        | 6,038             | 12,076                       | 120,760             |
| Volunteer expenses                  | 9,194                          | 511                          | 511               | 1,022                        | 10,216              | 10,530                         | 585                          | 585               | 1,170                        | 11,700              |
| <b>TOTAL EXPENSES</b>               | <b>\$1,855,206</b>             | <b>\$ 195,316</b>            | <b>\$ 373,993</b> | <b>\$ 569,309</b>            | <b>\$ 2,424,515</b> | <b>\$1,757,501</b>             | <b>\$ 190,545</b>            | <b>\$ 340,605</b> | <b>\$ 531,150</b>            | <b>\$ 2,288,651</b> |

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, 2016 AND 2015**

|   | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                   |                   |
| Change in net assets  | \$ 193,380        | \$ 4,204          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation  | 385,174           | 339,296           |
| Unrealized (gain) loss on investments   | (240,988)         | 200,680           |
| Realized gain on investments  | (515)             | (118,187)         |
| Changes in operating assets and liabilities:  |                   |                   |
| Increase in accounts receivable   | (11,128)          | (21,133)          |
| Decrease (Increase) in prepaid expenses   | 36,166            | (12,506)          |
| Increase (Decrease) in deferred revenue   | 950               | (2,048)           |
| (Decrease) Increase in accounts payable   | (69,514)          | 127,069           |
| Increase (Decrease) in other accrued expenses   | 5,650             | (19,060)          |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>299,175</u>    | <u>498,315</u>    |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                   |                   |
| Purchase of building and equipment  | (102,514)         | (933,392)         |
| Proceeds from sale of investments   | 88,838            | 557,713           |
| Investment purchases  | <u>(77,993)</u>   | <u>(209,826)</u>  |
| NET CASH USED BY INVESTING ACTIVITIES   | <u>(91,669)</u>   | <u>(585,505)</u>  |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  | 207,506           | (87,190)          |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | <u>374,070</u>    | <u>461,260</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | <u>\$ 581,576</u> | <u>\$ 374,070</u> |
| SUPPLEMENTAL DISCLOSURES:   |                   |                   |
| Interest paid   | <u>\$ -</u>       | <u>\$ -</u>       |
| Taxes paid  | <u>\$ -</u>       | <u>\$ -</u>       |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS:  |                   |                   |
| Cash and cash equivalents   | \$ 439,303        | \$ 279,927        |
| Cash and cash equivalents - restricted  | 142,273           | 94,143            |
| TOTAL CASH AND CASH EQUIVALENTS   | <u>\$ 581,576</u> | <u>\$ 374,070</u> |

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



RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 THE ORGANIZATION

The purpose of Ronald McDonald House of Delaware, Inc. is to provide an affordable "Home Away From Home" that offers compassion, hospitality, and a setting where other families, House volunteers, and staff can support families of seriously ill or injured children receiving medical treatment in nearby hospitals. Ronald McDonald House of Delaware, Inc. ("the Organization") operates a Ronald McDonald House and three Ronald McDonald family rooms at area hospitals that create and sustain a supportive environment that keeps families together and fosters mutual family support.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Financial Statement Presentation

In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

In accordance with the FASB ASC section regarding accounting for contributions received and contributions made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Net Assets - Board-designated Funds

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). The amount designated as of December 31, 2016 and 2015 was \$3,539,566 and \$3,322,333, respectively, for contingency reserve. The amount designated for the maintenance reserve fund was \$732,717 and \$729,293 as of December 31, 2016 and 2015, respectively.

Restrictions on Assets

As of December 31, 2016 and 2015, temporarily restricted net assets are available for the following purposes:

|                        | <u>2016</u>       | <u>2015</u>      |
|------------------------|-------------------|------------------|
| Boiler                 | \$ 10,000         | \$ -             |
| Christiana family room | 4,097             | 4,156            |
| Development personnel  | -                 | 73,203           |
| Emergency assistance   | 3,225             | 6,289            |
| Garden work            | 131               | -                |
| HVAC/Ductwork          | 102,500           | -                |
| Kitchen                | 5,287             | -                |
| La-Z-Boy               | 5,000             | -                |
| Milk                   | -                 | 786              |
| Transportation         | 4,855             | 4,736            |
| Vendor program         | 5,903             | 4,973            |
| Welcome Wagon          | <u>1,275</u>      | <u>-</u>         |
|                        | <u>\$ 142,273</u> | <u>\$ 94,143</u> |

Temporarily restricted net assets were released from restriction in 2016 and 2015 due to the completion of a number of projects.

Permanently Restricted Net Assets

The net assets reflect the original contribution by Mrs. J. Kroc to the Organization. The amount is restricted for funding housing operations. Both the principal and earnings above the original contribution amount of \$496,250 are available for operations.

RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Building and Equipment

Building and equipment are stated at cost if purchased by the Organization and at estimated fair market value if donated. Assets over \$1,500 and with a useful life greater than one year are capitalized. Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed. Depreciation is provided using the straight-line method over the following estimated useful lives:

|                                    |               |
|------------------------------------|---------------|
| Building and building improvements | 10 - 40 years |
| Furniture and equipment            | 3 - 10 years  |
| Vehicles                           | 5 years       |

Total depreciation expense for the years ended December 31, 2016 and 2015 amounted to \$385,174 and \$339,296, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

In accordance with the section of the FASB ASC regarding accounting for certain investments held by not-for-profit organizations, investments are reported at fair value. Donated securities are reported at fair value as of the date of receipt.

Deferred Revenue

The Organization receives revenue for upcoming special events that will take place in the next fiscal year. It is the Organization's policy to record this revenue as deferred until the revenue is earned.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of individuals to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There was no allowance for doubtful accounts

RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

as of December 31, 2016 and 2015. Accounts receivable as of December 31, 2016 include a \$20,000 pledge, of which \$10,000 is due within one year and \$10,000 is due in one to five years. Accounts receivable as of December 31, 2015 include a \$30,000 pledge, of which \$10,000 is due within one year and \$20,000 is due in one to five years.

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.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS

Cost and market value of investments are as follows:

| <b><i>December 31, 2016</i></b> | <u>Cost</u>         | <u>Market Value</u> | <u>Unrealized Appreciation (Depreciation)</u> |
|---------------------------------|---------------------|---------------------|---|
| Mutual funds:                   |                     |                     |   |
| Equity index funds              | \$ 1,424,444        | \$ 2,495,075        | \$ 1,070,631                                  |
| Bond index funds                | 1,451,724           | 1,458,940           | 7,216   |
| International index funds       | 408,301             | 409,054             | 753   |
| Pooled asset trust              | 102,891             | 101,551             | (1,340)                                       |
| Money market funds              | 293,913             | 293,913             | -   |
| Total                           | <u>\$ 3,681,273</u> | <u>\$ 4,758,533</u> | <u>\$ 1,077,260</u>                           |

| <b><i>December 31, 2015</i></b> | <u>Cost</u>         | <u>Market Value</u> | <u>Unrealized (Depreciation)</u> |
|---------------------------------|---------------------|---------------------|----------------------------------|
| Mutual funds:                   |                     |                     |                                  |
| Equity index funds              | \$ 1,367,735        | \$ 2,208,537        | \$ 840,802                       |
| Bond index funds                | 1,417,059           | 1,423,876           | 6,817                            |
| International index funds       | 396,537             | 390,791             | (5,746)                          |
| Pooled asset trust              | 102,891             | 101,555             | (1,336)                          |
| Money market funds              | 403,116             | 403,116             | -                                |
| Total                           | <u>\$ 3,687,338</u> | <u>\$ 4,527,875</u> | <u>\$ 840,537</u>                |

Fair values of assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

Fair Value Measurements at Reporting Date Using:

| <b><i>December 31, 2016</i></b> | <u>Fair Value</u>   | <u>Level 1*</u>     | <u>Level 2**</u>  |
|---------------------------------|---------------------|---------------------|-------------------|
| Mutual funds:                   |                     |                     |                   |
| Equity index funds              | \$ 2,495,075        | \$ 2,495,075        | \$ -              |
| Bond index funds                | 1,458,940           | 1,458,940           | -                 |
| International index funds       | 409,054             | 409,054             | -                 |
| Pooled asset trust              | 101,551             | -                   | 101,551           |
| Money market funds              | 293,913             | 293,913             | -                 |
| Total                           | <u>\$ 4,758,533</u> | <u>\$ 4,656,982</u> | <u>\$ 101,551</u> |

RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

Fair Value Measurements at Reporting Date Using:

| <b>December 31, 2015</b>  | <u>Fair Value</u>   | <u>Level 1*</u>     | <u>Level 2**</u>  |
|---------------------------|---------------------|---------------------|-------------------|
| Mutual funds:             |                     |                     |                   |
| Equity index funds        | \$ 2,208,537        | \$ 2,208,537        | \$ -              |
| Bond index funds          | 1,423,876           | 1,423,876           | -                 |
| International index funds | 390,791             | 390,791             | -                 |
| Pooled asset trust        | 101,555             | -                   | 101,555           |
| Money market funds        | <u>403,116</u>      | <u>403,116</u>      | <u>-</u>          |
| <b>Total</b>              | <u>\$ 4,527,875</u> | <u>\$ 4,426,320</u> | <u>\$ 101,555</u> |

\* Quoted market prices in active markets for identical assets.

\*\* Valuations calculated using a market approach based on quoted prices in markets that are not active.

NOTE 5 DONATED MATERIALS AND SERVICES

Contributed Services

Contributed services are not recognized as revenue unless the services received create or enhance the value of a nonfinancial asset, or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Outside vendors donated services totaling \$33,434 and \$42,564 in 2016 and 2015, respectively. These contributed services are reflected in in-kind revenue in the accompanying financial statements. In addition, volunteers contributed 42,008 and 41,946 hours of services during 2016 and 2015, respectively. These volunteer hour contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

Contributed Materials

Contributed materials are recorded as contributions at their fair market value at the date of receipt. Donated materials totaled \$59,932 and \$53,215 in 2016 and 2015, respectively.

Donations of Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and

RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 DONATED MATERIALS AND SERVICES (cont'd)

contributions of cash that must be used to acquire property and equipment are reported as restricted support. 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 temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. The Organization did not receive donations of property and equipment in 2016 or 2015.

NOTE 6 OPERATING LEASES

In March 2012, the Organization leased a copier for 60 monthly installments of \$460 plus additional fees, when applicable. Effective April 2016, this lease was replaced with a new lease for 60 monthly installments of \$591. Additionally, in November 2016, the Organization leased a mailing machine for 21 quarterly installments of \$351. Total rental payments under these leases were \$7,050 and \$5,520 in 2016 and 2015, respectively, and are included in contract services on the statement of functional expenses.

Future liabilities are as follows:

Year Ending December 31,

|       |    |               |
|-------|----|---------------|
| 2017  | \$ | 8,496         |
| 2018  |    | 8,496         |
| 2019  |    | 8,496         |
| 2020  |    | 8,496         |
| 2021  |    | <u>3,177</u>  |
| Total | \$ | <u>37,161</u> |

NOTE 7 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 \$256,226 and \$293,142 at December 31, 2016 and 2015, respectively.

RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 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 and 4.25 percent at December 31, 2016 and 2015, respectively). The Organization had no balance outstanding for the years ended December 2016 and 2015.

NOTE 9 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, 2016 and 2015 is as follows:

|                              | <u>2016</u>       |                   |                         |
|------------------------------|-------------------|-------------------|-------------------------|
|                              | <u>Revenue</u>    | <u>Expenses</u>   | <u>Net<br/>Proceeds</u> |
| 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 <sup>th</sup> Anniversary | 153,179           | 62,579            | 90,600                  |
| Other events                 | 5,973             | 444               | 5,529                   |
|                              | <u>\$ 822,701</u> | <u>\$ 297,796</u> | <u>\$ 524,905</u>       |
|                              |                   |                   |                         |
|                              | <u>2015</u>       |                   |                         |
|                              | <u>Revenue</u>    | <u>Expenses</u>   | <u>Net<br/>Proceeds</u> |
| American Girl fashion show   | \$ 128,164        | \$ 83,738         | \$ 44,426               |
| Share a Night                | 133,472           | 13,727            | 119,745                 |
| Golf outing                  | 267,343           | 106,547           | 160,796                 |
| Red Shoe Event               | 12,985            | 5,223             | 7,762                   |
| Run/Walk 5k                  | 91,166            | 30,487            | 60,679                  |
| Other events                 | 4,294             | 114               | 4,180                   |
|                              | <u>\$ 637,424</u> | <u>\$ 239,836</u> | <u>\$ 397,588</u>       |



RONALD MCDONALD HOUSE OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 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 \$142,020 and \$103,531 in 2016 and 2015, 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:

|                  | <u>2016</u>       | <u>2015</u>       |
|------------------|-------------------|-------------------|
| Program services | \$ 89,473         | \$ 65,225         |
| Fund raising     | <u>52,547</u>     | <u>38,306</u>     |
| Total            | <u>\$ 142,020</u> | <u>\$ 103,531</u> |

NOTE 11 RETIREMENT PLAN

The Organization has a Simple IRA retirement plan covering all employees who meet the eligibility requirements. The Organization contributes a match of employee contributions of up to three percent of an employee's salary. Contributions to the plan were \$20,111 and \$19,043 for 2016 and 2015, respectively, in addition to the elective deferrals made by the employees.

NOTE 12 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through May 2, 2017, the date the financial statements were available to be issued.