



RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION AND AFFILIATES

Consolidated Financial Statements and Supplementary Information

For the Year Ended December 31, 2020



**and
Report Thereon**



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

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For the Year Ended December 31, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ronald McDonald House Charities Philadelphia House and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ronald McDonald House Charities Philadelphia Region and its affiliates PRMH, Inc. and PRMH Equipment, Inc., (collectively referred to as RMHC-PHI), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Opinion

In our opinion, the 2020 consolidated financial statements referred to above present fairly, in all material respects, the financial position Ronald McDonald House Charities Philadelphia Region and Affiliates as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited position Ronald McDonald House Charities Philadelphia Region and Affiliates' 2019 consolidated financial statements, and our report dated May 12, 2020, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

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

Marcum LLP

Washington, DC
May 14, 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Summarized Financial Information as of December 31, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,721,491	\$ 1,156,467
Cash – restricted	96,632	4,427
Investments	5,519,000	5,124,231
Pledges receivable, net	1,464,326	2,629,813
Inventory	91,920	107,540
Prepaid expenses and other assets	730,854	228,304
Notes receivable	16,436,200	15,076,200
Property and equipment, net	60,201,130	59,388,134
TOTAL ASSETS	\$ 87,261,553	\$ 83,715,116
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 447,660	\$ 625,802
Deferred revenue	93,461	37,500
Line of credit	7,688,196	8,805,433
Notes payable	23,535,000	21,525,000
TOTAL LIABILITIES	31,764,317	30,993,735
Net Assets		
Without donor restrictions	53,101,417	49,131,177
With donor restrictions	2,395,819	3,590,204
TOTAL NET ASSETS	55,497,236	52,721,381
TOTAL LIABILITIES AND NET ASSETS	\$ 87,261,553	\$ 83,715,116

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

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

**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
(With Summarized Financial Information as of December 31, 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
OPERATING REVENUE AND SUPPORT				
Public support:				
Grants and contributions	\$ 4,696,070	\$ 3,759,429	\$ 8,455,499	\$ 6,432,731
Telethon revenue	1,141,078	-	1,141,078	1,251,731
Special event revenue	590,277	-	590,277	1,273,218
Cost of direct benefit to donors	(92,265)	-	(92,265)	(677,600)
Special event revenue, net	498,012	-	498,012	595,618
In-kind contributions	180,265	-	180,265	71,578
Program service revenue:				
Guest fees, net	133,064	-	133,064	199,129
Other	52,738	-	52,738	94,242
Investment income, net	213,834	30,624	244,458	178,749
Net assets released from time restrictions	250,000	(250,000)	-	-
Net assets released from program restrictions	201,277	(201,277)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	7,366,338	3,338,776	10,705,114	8,823,778
OPERATING EXPENSES				
Program Services:				
House	7,162,142	-	7,162,142	6,442,624
Camp	208,699	-	208,699	334,896
Family rooms	52,716	-	52,716	123,469
Care mobile	100,594	-	100,594	101,904
Total Program Services	7,524,151	-	7,524,151	7,002,893
Supporting Services:				
Fundraising	1,051,663	-	1,051,663	1,121,794
Administration	558,428	-	558,428	589,967
Total Supporting Services	1,610,091	-	1,610,091	1,711,761
Loss on disposal of property and equipment	-	-	-	246,896
TOTAL OPERATING EXPENSES	9,134,242	-	9,134,242	8,961,550
Change in Net Assets From Operations	(1,767,904)	3,338,776	1,570,872	(137,772)
Other Items				
Interest income from note receivable	150,762	-	150,762	150,762
Revenue on ground lease and interest	5,529	-	5,529	3,529
Unrealized gain on investments	317,130	19,062	336,192	685,139
Paycheck protection loan forgiveness income	712,500	-	712,500	-
Net assets released for long-term capital project	4,552,223	(4,552,223)	-	-
CHANGE IN NET ASSETS	3,970,240	(1,194,385)	2,775,855	701,658
NET ASSETS, BEGINNING OF YEAR	49,131,177	3,590,204	52,721,381	52,019,723
NET ASSETS, END OF YEAR	\$ 53,101,417	\$ 2,395,819	\$ 55,497,236	\$ 52,721,381

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

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020
(With Summarized Financial Information as of December 31, 2019)**

	Program Services				Supporting Services			2020 Total	2019 Total	
	House	Camp	Family Rooms	Care Mobile	Total Program Services	Fundraising	Administration			Total Supporting Services
Salaries and wages	\$ 1,615,554	\$ 85,310	\$ 41,778	\$ -	\$ 1,742,642	\$ 749,200	\$ 288,992	\$ 1,038,192	\$ 2,780,834	\$ 2,696,801
Depreciation	2,082,302	-	-	-	2,082,302	-	-	-	2,082,302	1,347,145
Grants and contributions	849,164	-	-	100,000	949,164	-	-	-	949,164	1,008,267
Bank fees	577,277	-	-	-	577,277	983	73,963	74,946	652,223	229,411
Public relations	221,048	12,687	-	-	233,735	110,195	-	110,195	343,930	523,039
Employee benefits	238,628	5,746	2,896	-	247,270	83,581	12,187	95,768	343,038	342,701
Professional fees	200,092	2,127	-	-	202,219	-	69,701	69,701	271,920	131,872
Building maintenance and repair	225,653	-	60	-	225,713	-	-	-	225,713	299,299
Contractors and consultants	120,246	76,842	-	-	197,088	-	21,414	21,414	218,502	375,703
Payroll taxes	118,977	6,165	3,200	-	128,342	55,410	21,382	76,792	205,134	202,974
Technology, hardware and equipment	131,101	2,817	657	-	134,575	35,275	14,319	49,594	184,169	199,866
Guest meals and assistance	177,514	350	2,990	-	180,854	357	-	357	181,211	471,835
Donated services	176,323	-	-	-	176,323	-	-	-	176,323	72,234
Insurance	133,501	1,021	1,048	-	135,570	2,353	105	2,458	138,028	125,309
Utilities	133,375	-	-	-	133,375	-	-	-	133,375	157,053
Supplies	74,131	760	-	-	74,891	-	-	-	74,891	253,191
Miscellaneous expense	3,790	614	-	-	4,404	82	49,486	49,568	53,972	45,350
Auto expense	32,784	-	-	594	33,378	-	-	-	33,378	35,857
Parking and transportation	29,093	-	-	-	29,093	-	-	-	29,093	44,183
Travel and entertainment	6,568	812	-	-	7,380	5,582	3,367	8,949	16,329	33,410
Postage and delivery	8,800	337	-	-	9,137	2,159	2,982	5,141	14,278	25,031
Event expense	-	7,861	-	-	7,861	-	-	-	7,861	19,530
Education, licensing and dues	2,308	-	-	-	2,308	4,615	265	4,880	7,188	23,363
Office supplies and equipment	3,608	-	87	-	3,695	1,871	265	2,136	5,831	14,017
Printing and stationery	305	5,250	-	-	5,555	-	-	-	5,555	37,213
Total Expenses by Function	7,162,142	208,699	52,716	100,594	7,524,151	1,051,663	558,428	1,610,091	9,134,242	8,714,654
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	246,896
Cost of direct benefit to donors	-	-	-	-	-	92,265	-	92,265	92,265	677,600
TOTAL EXPENSES INCLUDED ON THE STATEMENT OF ACTIVITIES	\$ 7,162,142	\$ 208,699	\$ 52,716	\$ 100,594	\$ 7,524,151	\$ 1,143,928	\$ 558,428	\$ 1,702,356	\$ 9,226,507	\$ 9,639,150

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

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2020
(With Summarized Financial Information as of December 31, 2019)**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,775,855	\$ 701,658
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,082,302	1,347,145
Realized gain on investments	(122,064)	(30,623)
Unrealized gain on investments	(336,191)	(685,139)
Loss on disposal of property and equipment	-	246,896
Contributions restricted for long-term capital project	(3,535,787)	(1,562,525)
Forgiveness of note payable	(702,500)	-
Changes in assets and liabilities:		
Inventory	15,620	10,031
Prepaid expenses and other assets	(502,550)	(72,404)
Pledges receivable	1,165,487	1,526,923
Accounts payable and accrued expenses	(178,142)	(4,758,679)
Deferred revenue	55,961	(10,500)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	717,991	(3,287,217)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,368,943	652,954
Purchases of investments	(1,305,457)	(636,530)
Payments related to issuance of note receivable	(1,360,000)	-
Purchase of property and equipment	(2,895,298)	(9,769,449)
NET CASH USED IN INVESTING ACTIVITIES	(4,191,812)	(9,753,025)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term capital project	3,535,787	1,562,525
Proceeds from line of credit	1,832,763	7,925,609
Repayments on line of credit	(2,950,000)	(251,948)
Proceeds from notes payable	2,712,500	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,131,050	9,236,186
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,657,229	(3,804,056)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,160,894	4,964,950
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,818,123	\$ 1,160,894
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid, net of capitalized interest in the amount of \$0 and \$421,907	\$ 555,755	\$ 477,979
NONCASH TRANSACTIONS		
Noncash investing activities:		
Property and equipment included in accounts payable and accrued expenses	\$ -	\$ 230,355
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 2,721,491	\$ 1,156,467
Cash – restricted	96,632	4,427
	\$ 2,818,123	\$ 1,160,894

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

1. Organization and Summary of Significant Accounting Policies

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

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

In August 2020, RMH formed a wholly controlled support corporation, PRMH Equipment, Inc., a 501(c)(3) nonprofit corporation incorporated the commonwealth of Pennsylvania. PRMH Equipment, Inc. was established as part of a New Markets Tax Credit (NMTC) financing transaction for the equipment portion of the RMH Expansion Project to act as a leverage lender, facilitating RMH's ability to participate in the NMTC program. PRMH Equipment, Inc. was created to raise funds for the support and benefit of, and to carry out the purposes of, RMH which may include funds for capital expenditures, other financial purposes, and to manage and invest such funds for the benefit of RMH. These activities are funded primarily through grants and contributions.

RMH, PRMH, Inc., PRMH Equipment, Inc., are collectively referred to as RMHC-PHI.

Programs

House Program

Two Ronald McDonald Houses, together serving up to 147 families each night, offer holistic support and lodging to families traveling 25 miles or further to Philadelphia to receive medical care for their seriously ill children. Founded as the first Ronald McDonald House in the world, RMHC-PHI is the model for more than 375 Houses in 65 countries and regions around the globe and has supported thousands of families in more than 45 years of operation.

Since opening, the flagship House – located at 3925 Chestnut Street – grew to 72,000 square feet to accommodate a total of 45 families each night in 1995; in 2008, RMHC-PHI opened a second 27,000-square-foot, three-story home with 20 bedrooms located at 100 E. Erie Avenue to meet the expanding need for services throughout the City of Philadelphia. RMHC-PHI has recently expanded the Chestnut Street location from 45 bedrooms to 127 bedrooms to address the increasing demand for services. Construction of the new facility began in the summer of 2017 and concluded in early 2020.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Programs (continued)

House Program (continued)

The Houses offer families a comfortable and secure room, daily home-cooked meals, a 24-hour food pantry, complimentary transportation around the city, free parking, and laundry facilities – all just minutes from the hospital. The Houses also offer TV lounges, indoor and outdoor play spaces, exercise rooms, family activities, loaner laptop computers and Wi-Fi, and social worker assistance. Additionally, the Houses offer the support of other families who understand what it is like to have a seriously ill child. While it costs RMHC-PHI more than \$149 per night to provide these services, families are asked to pay \$15 per night. However, many of the families are so financially devastated by their child's illness (as a result of treatment costs, job loss or leave, traveling, and paying expenses at home) that their fee is waived or reduced; no one is ever turned away due to inability to pay.

Families traveling from 25 miles away or further for medical care at Philadelphia hospitals are eligible to stay at the Houses, and children must be under the age of 21 and in active treatment. In 2020, RMHC-PHI's two Houses combined had 1,071 family stays with families traveling from 47 states, 17 countries and 2 U.S. territories; 34% of families traveled from within Pennsylvania. The average length of stay was 23 days, with the longest length of stay for one family totaling 365 consecutive days.

While RMHC-PHI serves families whose children are being treated for an array of illnesses, the top departments in 2020 were orthopedics, oncology, neonatology and gastroenterology. Each year, RMHC-PHI's hospital partners include Children's Hospital of Philadelphia (CHOP), St. Christopher's Hospital for Children, Shriners Hospital, Wills Eye Hospital, the Hospital of the University of Pennsylvania and others.

In compliance with a RMHC Global directive to all chapters worldwide and taking local regulations surrounding the COVID-19 pandemic under advisement, admission of new families to our facilities was paused beginning March 22nd. The Chestnut Street House in West Philadelphia remained open serving many long-term guest families who had been admitted earlier than that date and who could not pause or postpone their child's treatment. The Erie Avenue House in North Philadelphia was temporarily closed to families on April 17th following the departure of families who began their stay before the entry pause and were subsequently discharged from the hospital.

RMHC Philly began accepting new family check-ins late in the summer with assistance from our hospital partners. All parents and caregivers intending to stay at the House and their children were tested for COVID-19 before check-in to reduce any potential exposure to current guests or staff. Essential operations and social services staff are onsite at both facilities to make sure the basic needs of our guest families are met daily. All guest families and staff receive a wellness and temperature check daily, maintain physical distancing, and wear facial coverings to limit particle transmission. We follow strict infectious disease protocols to ensure the safety of our community and are in regular contact with our hospital partners and local health authorities.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Programs (continued)

House Program (continued)

Volunteers are truly the heart of the Houses and RMHC-PHI relies on the dedicated service of more than 313 volunteers to create a home for the families it serves. Volunteers staff the front desk, drive the shuttle vans and support operations in a variety of other capacities. Due to Covid-19 restrictions the total volunteer hours contributed were drastically reduced from an average of 23,000 annually to 9,154 representing the equivalent of 4.4 full-time staff positions.

Camp Program

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

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

In 2020, after consulting with hospital partners and the American Camp Association, the decision was made not to hold Ronald McDonald Camp using an in-person format due to restrictions surrounding COVID-19 and in an effort to reduce potential exposure to medically fragile campers.

In 2020, 133 campers attended Ronald McDonald Camp virtually by logging into a password protect platform. Each camper received a camper activity box prior to camp which contained a camp t-shirt, supplies for activities throughout the week, and instructions for accessing all online camp programming. Junior and Senior camper groups participated daily in age appropriate online activities and behind-the-scenes looks with professionals. In the evenings, campers and counselors logged on for all camp activities with special guests, games, and the much loved talent show.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Programs (continued)

Camp Program (continued)

While there is no charge to the patient campers, siblings traditionally can attend for a nominal fee of \$150. In 2020, this sibling fee was waived. Funding for the week is provided solely through the contributions of individuals and organizations. Ronald McDonald Camp is accredited through the American Camp Association (ACA) and is a member of the Children's Oncology Camping Association, International (COCA). Ronald McDonald Camp, when held in-person, is held at the Camp Timber Tops facility in Greeley, Pennsylvania.

Family Room Program

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

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

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

Due to COVID-19 regulations in place at the hospitals in which Family Rooms are located, Ronald McDonald Family Rooms were closed to guests in March 2020 and remained so for the duration of the year.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Programs (continued)

The Ronald McDonald Care Mobile (RMCM)

The Ronald McDonald Care Mobile (RMCM) program provides access to pediatric medical, dental and/or health education services for children living in underserved communities. The RMCM program is breaking down the barriers to health care, expanding critical health care access and extending the Charity's reach to countless underserved children. The RMCM program serves children that are at great risk to develop acute conditions, dental problems, chronic diseases and even serious lifelong illnesses. Through partnerships with St. Christopher's Foundation for Children, RMHC-PHI is bringing critical dental services to under-insured or un-insured children right in their own neighborhood through onsite visits at schools, head start programs and homeless shelters.

Due to restrictions surrounding COVID-19, the Ronald McDonald Care Mobile remained on-site at St. Christopher's Hospital for Children from March 2020 throughout the rest of the year and did not visit underserved communities. The Care Mobile provided telemedicine services to high-risk populations and was available on a limited basis to treat dental emergencies.

Basis of Accounting

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

Principles of Consolidation

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

Cash and Cash Equivalents

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

Investments

Investments consist of mutual funds, exchange-traded funds and money market funds. These investments are recorded in the accompanying consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Investments (continued)

an orderly transaction between market participants at the measurement date. Realized gains or losses on sales of investments are recorded on the trade dates of the transactions. Unrealized gains or losses on investments are determined by the change in fair value between the beginning and end of the reporting period. All such gains and losses, interest, and dividends are included in investment income in the consolidated statement of activities, net of investment management fees.

Fair Value Measurement

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, RMHC-PHI has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

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

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

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

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

As of December 31, 2020, only RMHC-PHI's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Pledges Receivable

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

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

Inventory

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

Property and Equipment and Related Depreciation

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

Impairment of Long-Lived Assets

RMHC-PHI reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended December 31, 2020.

Classification of Net Assets

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

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

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

Revenue Recognition

Contributions and Grants

RMHC-PHI recognizes all unconditional contributed support in the period in which the commitment is made. RMHC-PHI reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Unconditional contributed support that is expected to be collected within one year is recorded at its net realizable value. Unconditional contributed support that is expected to be collected after one year is recorded at the present value of its estimated future cash flows discounted back to present value using the appropriate discount rates. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributed support to which the discount relates.

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

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

Sponsorship Revenue

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

Special Event Revenue – Ticket Sales

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

Deferred Revenue

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

Volunteers

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

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to specific functional areas of RMHC-PHI are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. The shared costs are allocated based on a time study which is done annually as part of the budgeting process.

Use of Estimates

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

Measure of Operations

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

2. Pledges Receivable

Pledges receivable consist of unconditional promises to give made by individuals and foundations. As of December 31, 2020, pledges receivable were due as follows:

Due in less than one year	\$ 948,554
Due in one to five years	<u>552,194</u>
Total Pledges Receivable	1,500,748
Less: Present Value Discount (3.5% – 5.5%)	<u>(36,422)</u>
Pledges Receivable, Net	<u>\$ 1,464,326</u>

All amounts were deemed to be fully collectible as of December 31, 2020.

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3. Investments and Fair Value Measurement

The following table summarizes RMHC-PHI's investments measured at fair value on a recurring basis as of December 31, 2020, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Exchange-traded funds:				
Equity funds	\$ 2,432,788	\$ 2,432,788	\$ -	\$ -
Fixed-income funds	436,424	436,424	-	-
Mutual funds:				
Fixed-income funds	1,221,537	1,221,537	-	-
Equity funds	1,358,540	1,358,540	-	-
Money market funds	<u>69,711</u>	<u>69,711</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 5,519,000</u>	<u>\$ 5,519,000</u>	<u>\$ -</u>	<u>\$ -</u>

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

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2020:

Buildings and building improvements	\$ 65,152,728
Land	1,232,928
Equipment and furniture	<u>2,036,235</u>
Total Property and Equipment	68,421,891
Less: Accumulated Depreciation	<u>(8,220,761)</u>
Property and Equipment, Net	<u>\$ 60,201,130</u>

Depreciation expense was \$2,082,302 for the year ended December 31, 2020.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. New Markets Tax Credit Financing – Notes Receivable and Payable

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

The loan provided by RMHC-PHI to the Fund bears interest at 1% and matures on June 30, 2037. Interest-only payments are due quarterly commencing on June 15, 2017, continuing through December 15, 2024, and commencing on March 15, 2025. The quarterly payments will be composed of both principal and interest in the amount of \$321,138, for an annual total of \$1,284,552. For the year ended December 31, 2020, RMHC-PHI recognized interest income of \$150,762 related to this note receivable, which is included in interest income from the note receivable in the accompanying consolidated statement of activities. There was no accrued interest income as of December 31, 2020.

The loans with each of the CDEs require quarterly interest-only payments at 1.042% per annum until December 5, 2024, starting on June 5, 2017. Thereafter, annual principal payments of \$1,157,575, plus interest at 1.042% per annum, are due until December 1, 2041, if they are not accelerated or otherwise retired by the respective lenders at the end of the compliance period.

For the year ended December 31, 2020, RMHC-PHI incurred interest expense of \$226,896. There was no unpaid interest expense related to these loans as of December 31, 2020.

The loans from the CDEs were as follows:

<u>Lender</u>	<u>Loan</u>	<u>Rate</u>
Commonwealth Corner Stone Group Ltd. XXXV	\$ 4,062,600	1.042%
Commonwealth Corner Stone Group Ltd. XXXV	1,817,400	1.042%
City First Capital 47, LLC	6,693,700	1.042%
City First Capital 37, LLC	2,616,300	1.042%
CNMC Sub-CDE 126, LLC	664,600	1.042%

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

Lender	Loan	Rate
<i>(continued)</i>		
CNMC Sub-CDE 126, LLC	\$ 335,400	1.042%
PIDC-RDC Sub-CDE XV, LP	3,655,300	1.042%
PIDC-RDC Sub-CDE XV, LP	1,679,700	1.042%
Total	\$ 21,525,000	

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

The NMTC financing agreement required RMHC-PHI to establish and fund individual fee and expense reserve accounts totaling \$191,063 during the initial year to pay interest and certain annual service fees to the respective CDEs over the seven-year NMTC compliance period. Over the term of the agreement, RMHC-PHI will make the required additional deposits totaling \$363,437 into the accounts. As of December 31, 2020, the balance associated with the reserve accounts totaled \$62,368; it is included in restricted cash in the accompanying consolidated statement of financial position and will be paid over the compliance period as these fees become due and payable.

The construction financing for the RMHC-PHI expansion has various financial covenants, including maintaining certain debt service coverage ratios, minimum liquidity and minimum tangible net worth. In addition to the financial covenants, RMHC-PHI must comply with certain NMTC Program requirements during the seven-year compliance period. As of December 31, 2020, RMHC-PHI was in compliance with all financial covenants of the agreement. For the year ended December 31, 2020, a few financial reports were not submitted within the deadlines as required in the agreements. The bank provided a waiver related to these reporting covenants. As of December 31, 2020, RMHC-PHI was in compliance with all other of its financial covenants and respective NMTC Program requirements.

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

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

As of December 31, 2020, the future maturities of the note was as follows:

For the Year Ending December 31,	
2021	\$ -
2022	-
2023	-
2024	110,000
2025	1,157,575
Thereafter	<u>20,257,425</u>
Total	<u>\$ 21,525,000</u>

In October 2020, RMHC-PHI entered into a debt transaction to access additional funds through the New Markets Tax Credit Program (the NMTC Program). These funds were used for the equipment related to the expansion of its 3925 Chestnut Street Building Facility. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments in a designated Community Development Entity (CDE). The CDE must use substantially all the of the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a seven-year period and equate to 39% of the QLICs. RMHC-PHI has partnered with an investor, Truist Community Capital, LLC (the 2020 Equity Investor), a Maryland limited liability company, to utilize the the NMTC Program. The 2020 Equity Investor contributed \$2,000,000 in equity to the RMH Philly Investment Fund, LLC (the 2020 Fund), a Georgia limited liability company. In conjunction with the equity investment, PRMH Equipment, Inc., (the leverage lender) made a loan of \$1,360,400 to the 2020 Fund. In turn, the 2020 Fund made equity investments in one CDE which provided two loans to RMHC-PHI totaling \$2,000,000. The loans were made to RMH, which is considered a qualified active low-income community business. The QLICI loans have a seven-year compliance period during which no principal can be repaid.

The loan provided by PRMH Equipment, Inc. to the 2020 Fund bears interest at 1.077% and matures on December 1, 2043. Interest-only payments are due annually commencing on December 10, 2020, continuing through December 10, 2027. Commencing on December 10, 2028, the annual payments will be composed of both principal and interest in the amount of \$93,017. For the year ended December 31, 2020, RMHC-PHI recognized interest income of \$2,157 related to this note receivable, which is included in interest income from the note receivable in the accompanying consolidated statement of activities. There was no accrued interest income as of December 31, 2020.

The loans with the CDE require annual interest-only payments at 1.00% per annum until December 1, 2027, starting on December 1, 2020. Thereafter, annual payments of \$101,727, consisting of principal plus interest at 1.00% per annum, are due until December 1, 2049, if they are not accelerated or otherwise retired by the respective lenders at the end of

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. New Markets Tax Credit Financing – Notes Receivable and Payable (continued)

the compliance period. For the year ended December 31, 2020, RMHC-PHI incurred interest expense of \$2,945. There was no unpaid interest expense related to these loans as of December 31, 2020.

The loans from the CDE were as follows:

Lender	Loan	Rate
ST CDE LXIX QLICI, A Note	\$ 1,000,000	1.00%
ST CDE LXIX QLICI, B Note	1,000,000	1.00%
Total	\$ 2,000,000	

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

The NMTC financing agreement required RMHC-PHI to establish and fund individual fee and expense reserve accounts totaling \$35,000 during the current year to pay interest and certain annual service fees to the CDE over the seven-year NMTC compliance period. As of December 31, 2020, the balance associated with the reserve accounts totaled \$34,264; it is included in restricted cash in the accompanying consolidated statement of financial position and will be paid over the compliance period as these fees become due and payable.

The construction financing for the RMHC-PHI expansion has various NMTC Program requirements during the seven-year compliance period. The financing for the RMHC-PHI equipment has a financial covenant to maintain a certain debt service ratio. In addition to the financial covenant, RMHC-PHI must comply with certain NMTC Program requirements during the seven-year compliance period. As of December 31, 2020, RMHC-PHI was in compliance with all of its financial covenants and respective NMTC Program requirements.

It is anticipated that, after the seven-year NMTC Program compliance period expires in December 2027, in accordance with a put and call option agreement, the 2020 Equity Investor who owns the 2020 Fund will exercise its put option to sell its ownership interest to RMHC-PHI for a price of \$1,000 or RMHC-PHI will exercise its call option to buy the 2020 Equity Investor's interest for a pre-determined amount or price equal to the fair value of the investment, and the 2020 Fund will be liquidated and its assets distributed to RMHC-PHI. In conjunction with this event, the 2020 Equity Investor will be liquidated and its assets distributed to the 2020 Fund. Immediately after the exit transactions are completed, PRMH Equipment, Inc. will be the holder of RMH's notes payable, and, as such, the notes payable will be eliminated in the consolidated financial statements, with the notes payable anticipated to be discharged shortly thereafter.

As of December 31, 2020, there were no required principal payments on the notes payable over the following five years.

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6. Note Payable – Partial-Revolving Loan

On April 24, 2017, RMHC-PHI entered into a partial-revolving loan agreement not to exceed \$14,000,000 with Firsttrust Bank to support construction costs related to the Chestnut Street Building expansion. The agreement bears interest at a variable rate of the one-month London Interbank Offered Rate (LIBOR) plus 2.75%, floating daily, which was 3.5% as of December 31, 2020. Under the note agreement, RMHC-PHI is required to pay interest on outstanding balances on a monthly basis commencing on May 1, 2017. The entire unpaid principal amount, together with all accrued and unpaid interest, will be due and payable, if not sooner paid, on April 21, 2022. The loan is secured by a mortgage and security interest agreement on real properties of RMHC-PHI. For the year ended December 31, 2020, there were borrowings of \$1,832,736, and repayments of \$2,950,000. As of December 31, 2020, the outstanding balance was \$5,121,424. There was unpaid interest expense related to this partial-revolving loan of \$53,902 as of December 31, 2020, which is included in accounts payable and accrued expenses on the accompanying consolidated statement of financial position.

7. Line of Credit

RMHC-PHI maintains a \$2,750,000 line of credit with a bank, secured by RMHC-PHI's investments, which matured on May 31, 2020. On October 27, 2020, RMHC-PHI extended the line of credit to mature on May 27, 2021. The line of credit carries a variable interest rate of 30-Day LIBOR plus 2% or 200 basis points, which was 2.2% as of December 31, 2020. Under the line of credit agreement, RMHC-PHI is required to pay interest on outstanding balances on a monthly basis. In addition, RMHC-PHI is required to comply with certain financial and affirmative covenants on an annual basis. For the year ended December 31, 2020, there were no borrowings or repayments. As of December 31, 2020, the outstanding balance was \$2,566,772. There was unpaid interest expense related to this line of credit as of December 31, 2020 of \$7,957, which is included in accounts payable and accrued expenses on the accompanying consolidated statement of financial position. As of December 31, 2020, RMHC-PHI was in compliance with all of its financial covenants.

8. Note Payable – Payroll Protection Program

On April 15, 2020, the RMHC-PHI Small Business Administration loan application for the amount of \$712,500 was approved by a financial institution. The loan was scheduled to mature on April 15, 2022, with a fixed interest rate at 1% per annum.

On June 6, 2020, the RMHC-PHI's application was approved with its financial institution to take part in the Small Business Administration loan under the EIDL program for the amount of \$150,000. The RMHC-PHI declined the loan but did receive the \$10,000 grant, as part of the EIDL program.

On November 4, 2020, the PPP loan's principal balance, less RMHC-PHI's \$10,000 Economic Injury Disaster Loan (EIDL) grant, was forgiven by its financial institution.

In February 2021, the \$10,000 outstanding balance related to the EIDL grant was also forgiven.

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9. Net Assets

Net Assets Without Donor Restrictions

RMHC-PHI's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of December 31, 2020, RMHC-PHI's net assets without donor restrictions were as follows:

Undesignated	\$ 49,452,153
Board-designated	<u>3,649,264</u>
Total Net Assets Without Donor Restrictions	<u>\$ 53,101,417</u>

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

Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions were restricted for specific purposes or time periods as follows:

Subject to expenditure for specified purpose:	
Endowment earnings available per spending policy	\$ 79,505
House programs	157,013
Camp	62,186
Family Room programs	<u>29,083</u>
Total Subject to Expenditure for Specified Purpose	<u>327,787</u>
Subject to occurrence of specified events/passage of time:	
Time restricted	500,000
Capital Campaign – Chestnut Street Expansion	<u>1,070,532</u>
Total Subject to Occurrence of Specified Events/ Passage of Time	<u>1,570,532</u>
Subject to be held in perpetuity:	
Endowment Fund	<u>497,500</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,395,819</u>

Endowment

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

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9. Net Assets (continued)

Endowment (continued)

For the year ended December 31, 2020, RMHC-PHI's endowment fund had the following activity:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 555,907
Investment return, net	49,686
Amounts appropriated for expenditure	<u>(28,588)</u>
Endowment Net Assets, End of Year	<u>\$ 577,005</u>

Interpretation of Relevant Law

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

RMHC-PHI approved a 7% spending policy beginning January 1, 2012, which amounted to \$28,588 to be distributed to operations for the year ended December 31, 2020. During the year ended, the board suspended one quarter of the annual spend. The realized and unrealized gains and losses related to permanent endowments are restricted until spent, in accordance with Pennsylvania law. The endowment fund investment activity is recorded in accordance with the original gift agreement and RMHC-PHI's interpretation of the Pennsylvania law.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor requires an organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported as part of net assets without donor restrictions. It's RMHC-PHI's interpretation and policy that it has the ability and will continue to spend from underwater funds. As of December 31, 2020, there were no such deficiencies.

Return Objectives and Risk Parameters

RMHC-PHI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include

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9. Net Assets (continued)

Endowment (continued)

Return Objectives and Risk Parameters (continued)

those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

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

10. Availability and Liquidity

RMHC-PHI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. RMHC-PHI's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2020, were as follows:

Cash and cash equivalents	\$ 2,721,491
Pledges receivable within one year	948,554
Investments	<u>5,519,000</u>
Total Financial Assets Available Within One Year	9,189,045
Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	(327,787)
Amounts unavailable for general expenditure as corpus of endowment	(497,500)
Amounts unavailable to management without Board approval	<u>(3,649,264)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,714,494</u>

RMHC-PHI has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of RMHC-PHI throughout the year. This is done through monitoring and reviewing RMHC-PHI's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of RMHC-

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10. Availability and Liquidity (continued)

PHI's cash flow related to RMHC-PHI's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or to support organizational initiatives. RMHC has an endowment with a board-restricted 7% spending rate, and unrestricted investments with a board-restricted 5% spending rate. For the year ending December 31, 2021, the unrestricted investment's board-restricted spending rate is anticipated to be 5%, resulting in approximately \$207,802 of appropriations available within the next 12 months to fund operating needs. To help manage unanticipated liquidity needs, RMHC-PHI has a committed line of credit of \$2,750,000, which is described in Note 7 above.

11. Transactions with Related Entities

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

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. RMHC-PHI receives a portion of net revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the year ended December 31, 2020, RMHC-PHI received payments of \$786,507 from RMHC Global, of which \$355,000 were in the form of grants, and the remaining \$431,507 were funds passed through to RMHC-PHI from local McDonald stores.

12. Commitments, Contingencies and Risks

Concentration of Credit Risk

RMHC-PHI maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2020, RMHC-PHI had \$2,500,000, which exceeded the maximum limit insured by the FDIC by approximately \$1,555,000. RMHC-PHI monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

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12. Commitments, Contingencies and Risks (continued)

Investment Risk

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

Uncertainties

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

13. Retirement Plan

RMHC-PHI maintains a Simplified Employee Pension Plan which covers all full-time employees. RMHC-PHI contributes 2% of the employee's annual compensation. For the year ended December 31, 2020, contributions to the plan amounted to \$51,238.

14. Income Taxes

RMHC-PHI, PRMH, Inc. and PRMH Equipment, Inc. are exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, these organizations are taxed only on their net unrelated business income. No provision for income taxes has been made in the accompanying consolidated financial statements for the year ended December 31, 2020, as there was no significant net unrelated business income.

RMHC-PHI adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. RMHC-PHI performed an evaluation of uncertain tax positions for the year ended December 31, 2020, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on RMHC-PHI's tax-exempt status. As of December 31, 2020, the statute of limitations remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which RMHC-PHI files tax returns; however, there are currently no examinations pending or in progress. As of December 31, 2020, RMHC-PHI had no accruals for interest and/or penalties.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

15. Reclassification

Certain 2019 amounts have been reclassified to conform to the 2020 consolidated financial statement presentation.

16. Subsequent Events

On February 10, 2021, RMHC-PHI entered into a Small Business Administration loan with its financial institution under the PPP for the amount of \$719,425. The loan will mature on February 10, 2026, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest of approximately \$11,990 will commence on November 10, 2021 and continue through the maturity date. The loan amount, or some portion thereof, may be eligible for forgiveness pursuant to the grant provisions of the PPP.

In preparing the consolidated financial statements, RMHC-PHI has evaluated events and transactions for potential recognition or disclosure through May 14, 2021, the date the consolidated financial statements were available to be issued. Other than as disclosed above and in Note 8, regarding the EIDL forgiveness, there were no additional subsequent events that required recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2020**

	RMH	PRMH, Inc.	PRMH, Equipment	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 2,225,313	\$ 39,092	\$ 457,086	\$ -	\$ 2,721,491
Cash – restricted	34,264	62,368	-	-	96,632
Investments	5,519,000	-	-	-	5,519,000
Inventory	91,920	-	-	-	91,920
Prepaid expenses and other assets	695,496	953,095	1,221	(918,958)	730,854
Due from affiliate	1,104,694	-	-	(1,104,694)	-
Pledges receivable, net	1,464,326	-	-	-	1,464,326
Notes receivable	15,076,200	-	1,360,000	-	16,436,200
Property and equipment, net	21,079,587	39,121,543	-	-	60,201,130
TOTAL ASSETS	\$ 47,290,800	\$ 40,176,098	\$ 1,818,307	\$ (2,023,652)	\$ 87,261,553
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 417,555	\$ 30,105	\$ -	\$ -	\$ 447,660
Due to affiliate	-	1,104,694	-	(1,104,694)	-
Deferred revenue	1,012,419	-	-	(918,958)	93,461
Line of credit	7,688,196	-	-	-	7,688,196
Notes payable	2,010,000	21,525,000	-	-	23,535,000
TOTAL LIABILITIES	11,128,170	22,659,799	-	(2,023,652)	31,764,317
Net Assets					
Without donor restrictions	33,766,811	17,516,299	1,818,307	-	53,101,417
With donor restrictions	2,395,819	-	-	-	2,395,819
TOTAL NET ASSETS	36,162,630	17,516,299	1,818,307	-	55,497,236
TOTAL LIABILITIES AND NET ASSETS	\$ 47,290,800	\$ 40,176,098	\$ 1,818,307	\$ (2,023,652)	\$ 87,261,553

See independent auditors' report on supplementary information.

**RONALD MCDONALD HOUSE CHARITIES PHILADELPHIA REGION
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**CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2020**

	RMH			PRMH, Inc.			PRMH, Equipment			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT													
Public support:													
Grants and contributions	\$ 4,696,070	\$ 3,759,429	\$ 8,455,499	\$ -	\$ -	\$ -	\$ 1,815,000	\$ -	\$ 1,815,000	\$ (1,815,000)	\$ 4,696,070	\$ 3,759,429	\$ 8,455,499
Telethon revenue	1,141,078	-	1,141,078	-	-	-	-	-	-	-	1,141,078	-	1,141,078
Special event revenue	590,277	-	590,277	-	-	-	-	-	-	-	590,277	-	590,277
Cost of direct benefit to donors	(92,265)	-	(92,265)	-	-	-	-	-	-	-	(92,265)	-	(92,265)
Special event revenue, net	498,012	-	498,012	-	-	-	-	-	-	-	498,012	-	498,012
In-kind contributions	180,265	-	180,265	-	-	-	-	-	-	-	180,265	-	180,265
Program service revenue:													
Guest fees, net	133,064	-	133,064	-	-	-	-	-	-	-	133,064	-	133,064
Other	52,738	-	52,738	-	-	-	-	-	-	-	52,738	-	52,738
Investment income, net	213,638	30,624	244,262	196	-	196	-	-	-	-	213,834	30,624	244,458
Net assets released from time restrictions	250,000	(250,000)	-	-	-	-	-	-	-	-	250,000	(250,000)	-
Net assets released from program restrictions	201,277	(201,277)	-	-	-	-	-	-	-	-	201,277	(201,277)	-
TOTAL OPERATING REVENUE AND SUPPORT	7,366,142	3,338,776	10,704,918	196	-	196	1,815,000	-	1,815,000	(1,815,000)	7,366,338	3,338,776	10,705,114
OPERATING EXPENSES													
Program Services:													
House	7,734,617	-	7,734,617	1,448,913	-	1,448,913	71	-	71	(2,021,459)	7,162,142	-	7,162,142
Camp	208,699	-	208,699	-	-	-	-	-	-	-	208,699	-	208,699
Family rooms	52,716	-	52,716	-	-	-	-	-	-	-	52,716	-	52,716
Care mobile	100,594	-	100,594	-	-	-	-	-	-	-	100,594	-	100,594
Total Program Services	8,096,626	-	8,096,626	1,448,913	-	1,448,913	71	-	71	(2,021,459)	7,524,151	-	7,524,151
Supporting Services:													
Fundraising	1,051,663	-	1,051,663	-	-	-	-	-	-	-	1,051,663	-	1,051,663
Administration	558,428	-	558,428	-	-	-	-	-	-	-	558,428	-	558,428
Total Supporting Services	1,610,091	-	1,610,091	-	-	-	-	-	-	-	1,610,091	-	1,610,091
TOTAL OPERATING EXPENSES	9,706,717	-	9,706,717	1,448,913	-	1,448,913	71	-	71	(2,021,459)	9,134,242	-	9,134,242
Change in Net Assets From Operations	(2,340,575)	3,338,776	998,201	(1,448,717)	-	(1,448,717)	1,814,929	-	1,814,929	206,459	(1,767,904)	3,338,776	1,570,872
Other Items													
Interest income from notes receivable	150,762	-	150,762	-	-	-	-	-	-	-	150,762	-	150,762
Revenue on ground lease and interest	2,151	-	2,151	-	-	-	3,378	-	3,378	-	5,529	-	5,529
Rental income	-	-	-	206,459	-	206,459	-	-	-	(206,459)	-	-	-
Unrealized gain on investments	317,130	19,062	336,192	-	-	-	-	-	-	-	317,130	19,062	336,192
Paycheck protection loan forgiveness income	712,500	-	712,500	-	-	-	-	-	-	-	712,500	-	712,500
Net assets released for long-term capital project	4,552,223	(4,552,223)	-	-	-	-	-	-	-	-	4,552,223	(4,552,223)	-
CHANGE IN NET ASSETS	\$ 3,394,191	\$ (1,194,385)	\$ 2,199,806	\$ (1,242,258)	\$ -	\$ (1,242,258)	\$ 1,818,307	\$ -	\$ 1,818,307	\$ -	\$ 3,970,240	\$ (1,194,385)	\$ 2,775,855

See independent auditors' report on supplementary information.