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NAP Part 10

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The Cleveland Ronald McDonald House's Two-year Finances

Income statements show us organizations' income and expenses for one fiscal year. The most important information on the financial statements, which is on income statements, is net income, more commonly known as the bottom-line. This is the aftermath of revenue subtracting expenses and should be positive showing that organizations would have to decrease their spending and earn more than they spend. Positive net income is known as profit, and negative net income is a loss or deficit.

The Cleveland Ronald McDonald House, otherwise known as the Cleveland RMH, had net income of \$343,463 in its latest fiscal year of 2013. The year before, its net income was (\$2,193,697), showing a positive trend because from one year to the next year because the income decreased slightly from 2012 to 2013, but the Cleveland RMH's expenses decreased even more. In the future, the Cleveland RMH should cut expenses even more or should increase their income in order to further improve its financial condition.

The Cleveland RMH received most of its income from direct public support totaling \$2,801,322 in their latest year, equaling 99.76% of its total income. This means it is very dependent on this source of income. This income basically is the result of the nonprofit requesting charitable donations from the public that would support the organization's programs and services. Given the current economic situation, the Cleveland RMH should increase its

interest in its charitable donors to make sure they remember to donate. The organization needs to work closer with previous and expected donors to encourage them to give more.

The Cleveland RMH's second largest source of income was from program services amounting to \$193,059, or 6.88% of its total revenue in their latest fiscal year. It is somewhat dependent on this source of income, which is the result of charging its patrons an optional fee of \$20 to partially cover program and services expenses. The organization also received income from investments, selling securities, and sales.

Overall, the Cleveland RMH should plan for its income to decrease over the next few years, unless it is able to increase working with donors to positively affect not only the size of charitable donations the donors give, but also the frequency at which they give these donations. .

The Cleveland RMH spends \$1,735,454, or 70.41% of its expenses on programming, \$377,604, or 15.32% on administration, and \$351,596, or 14.27% on fundraising. Funders want to see that nonprofits are spending most on their programs and services because that is the charitable service they donate for. Based on these percentages, and the organization's size and the way it raises revenue, the Cleveland RMH is justified in its spending and doing well because many people are continuing to donate, the Cleveland RMH is expanding, and spends most of its money on programs and services. Its relatively large fundraising cost is proportional to its reliance off of direct public support.

The Cleveland RMH spends \$1,263,552, or 51.27% on personnel. This seems very reasonable since the organization is extremely dependent off of the community volunteers who work unpaid. Therefore, this expense is expected to be around this amount because the

organization still employs a large number of employees and contractors, but the volunteering workforce brings the total cost to its current number.

I compared the Cleveland RMH to three similar nonprofits: the Columbus RMH in Columbus, Ohio; the St. Louis RMH in St. Louis, Missouri; and the Philadelphia RMH in Philadelphia, Pennsylvania. All of these organizations are subsections of a larger international organization called the Ronald McDonald House Charities. These organizations are only a small representation of the nearly 350 organizational chapter homes. They are all dedicated to serving families of medically challenged children, refusing to turn away any family for financial conflicts and inability to pay for the nonprofit's programs or services.

As these organizations all spawn from the same roots, the programs and services they put into effect are nearly identical. As part of the larger organization, they share the same ideal: to give hope, and provide essential resources and shelter to families of medically challenged children. This allows families to face their children's illness without the stress of additional financial burden. Families are able to focus on the healing process of their child rather than the stress of medical bills, shopping, cleaning, or cooking (Ronald McDonald House Charities, n.d.b). Every home offers home-cooked meals, private bedrooms, and playrooms for children. Not only is each home an extension of living, but it's also means of providing the best care that may be thousands of miles away for families' children (A. Powel, personal communication, September 28, 2015). Individually, these organizations offer different programs and services. Noted for being the largest Ronald McDonald House in the world, the Columbus RMH boasts the greatest ability to provide housing to its patrons (Columbus Ronald McDonald House, n.d.). The Cleveland RMH boasts the largest Family Room program of any Ohio chapter, the Philadelphia chapter boasts its title as the first established chapter of the organization, and the St.

Louis RMH boasts its three individual St. Louis locations (A. Powel, personal communication, September 28, 2015; Ronald McDonald House Charities, n.d.a; St. Louis Ronald McDonald House, n.d.).

Of these three organizations, as well my primary nonprofit, three made a profit in their latest fiscal year. The major sources of funding for the comparison nonprofits were: direct public services at 100.01% for the Columbus RMH; direct public services at 70.01% for the St. Louis RMH; and direct public services at 97.70% for the Philadelphia RMH. We can see based on this information, that the chapters of the Ronald McDonald House Charities organization are alike in how they raise their revenue. Nearly all chapters of the Ronald McDonald House Charities organization share the same ideals. One of these ideals are evident in their programs. Most Ronald McDonald Houses do not turn away families for inability to pay for the organization's services. Therefore, the Ronald McDonald Houses don't make a significant amount income from anything other than what donors decide to give to the organizations.

The comparison organizations spend 69.48%, 76.58%, and 77.95% of their expenses on programming; 10.10%, 11.14%, and 10.04% on administration; and 20.42%, 12.28%, and 12.01% on fundraising. They are extremely similar to each other and the Cleveland RMH in their spending habits for their latest fiscal years. Each organization recognizes spending a large majority of its income on its programs and services is essential to the health and stability of its organization. By spending most of its income on programs and services, each Ronald McDonald House is potentially increasing its effectiveness which helps secure future donor support. Additionally, each organization also realizes that a good portion of income needs to be spent on securing future donations, also. The remaining unspent income can be allocated to administrative costs.

These comparison organizations spend 53.17%, 46.47%, and 47.79% on personnel. They are similar to each other and the Cleveland RMH in that the organization is extremely reliant off of the community's volunteerism. If all of these organizations replaced the unpaid labor for paid labor, this percentage for personnel cost would be substantially larger. It may even be too much to support the organizations programs and services. The volunteering workforce is too large of a Ronald McDonald House supporter to overlook.

Overall, these subsections of the larger international organization called Ronald McDonald House Charities all conduct superb humanitarian work. The organizations seem to be doing well after an analysis of their financial reports. Their ongoing financial sustainability will probably be supported by the community as a whole. If these nonprofits were to experience hardship, I am sure its local community would attempt to resolve the organization's financial insecurity. These organizations' programs and services are too important on a national level. To make sure these organizations never reach a point in which they experience financial hardship, the community will need to continue to give support. The Ronald McDonald Houses are extremely dependent off of direct public support and the public must continue to support these organizations, if they are to still exist in the future.

References

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