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A Detailed Analysis of the Cleveland Ronald McDonald House:

An Organization Built to Inspire

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Seven-year old Micah Mueller was not expected to live through the New Year. With his rare heart condition, hypoplastic left heart syndrome, he was mere days away from death when his Christmas wish became a Christmas miracle. The Canton, Ohio child and his family were relieved to hear that Micah was to receive a new heart and would begin to live a normal life if Cleveland Clinic surgeons could successfully perform a transplant (Jordan, 2015). With their rising medical bills, the family, like many others with the misfortune of raising a medically challenged child were hard-pressed in their financial situations. The financial turmoil these families face is detrimental to the families’ stability because they already have the stress of sick children, and any additional stressors take time away from focusing on their children’s healing process.

Portions of the charitable nonprofit sector provide solutions to the misfortunes that comes with caring for a medically challenged child, like the case of little Micah Mueller’s family. Arguably the most notable organization advocating for social reform of these families’ tragic situations and sponsoring families’ wellbeing while their children receive treatment are Ronald McDonald House Charities. With nearly 350 locations worldwide, the Ronald McDonald House Charities’ network affects tens of thousands of families daily. Believing that a positive change in one family at a time will ultimately positively influence the world, Ronald McDonald House Charities has a strong will and desire to initiate global change. This report will focus on one of the organization’s chapters in much greater depth; the Cleveland Ronald McDonald House, otherwise known as the Cleveland RMH, is a fantastic representative of the international organization’s ideals and a critical activist in its social mission.

Since the Cleveland RMH’s founding in 1979 by a group of community leaders, the organization has proven to be a strong supporter of families with medically challenged children by employing a variety of essential programs and services. Its effectiveness in caring for these families is overall mediocre because of its limited service, but its dedication to the families they are able to serve is undeniable. Based off of public opinion and media analysis, the local organization has retained an untarnished reputation since its creation. Along the line of its finances, the local organization has fairly appropriated its income, and is on track for phenomenal financial stability, acknowledged after scrutinizing documents submitted to the IRS. This paper will first discuss the organization’s background information including its journey and development in becoming a global leader as a direct result of its programs and services offered to families with medically challenged children, and then the residual and long lasting effect these services can have. The paper will then move on to assess the nonprofit in its mission effectiveness with three different methods and conclude by addressing the nonprofit’s finances and how they might improve their financial wellbeing and what the future may hold for the organization.

**i) Cleveland RMH Background Information**

The beginning of this analysis includes an onsite interview with Program and Services Director, Alisa Powell. The following is an account of the meeting. Identical to any other professional appointment, our visit began with the typical greeting and handshake accompanied by an inviting smile. Mrs. Powell had graciously invited me into her workspace and immediately eased the tension with her retrieval of a water bottle prior to engaging me in the building’s lobby. We conducted an insightful and intellectual interview over the course of an hour pertaining to the organization’s rapid growth in the past and modern expansion along with the early Ronald McDonald House history.

Our conversation began with a simple tale outlining the remarkable inception of the Ronald McDonald House; Fred Hill of the 1965 National Football League’s Philadelphia Eagles first established the organization in response to family tragedy. In 1971, his daughter, Kim Hill, was diagnosed at age four with leukemia to which he responded by retiring from the National Football League in full support of his daughter. With the push of Leonard Tose, at the time the owner of the Philadelphia Eagles, and the McDonald’s Corporation, Fred Hill was able to erect the first Ronald McDonald House on October 15, 1974 in Philadelphia. Strangely enough, this house was primarily funded with full assistance of a new McDonald’s promotion, Shamrock Shakes. With every shake purchased, McDonalds dedicated a portion of the income to Fred Hill’s cause, prominently sponsoring the inception of the organization who proudly brandishes the McDonalds name today (A. Powel, personal communication, September 28, 2015).

In regards to her illness, Kim Hill was fortunately able to see the organization built upon her condition develop to 349 Ronald McDonald Houses worldwide and succeed to provide affordable housing to helpless and hapless families as a direct result of her father’s sponsorship. However, even with her successful battle with leukemia, she was sadly taken in 2011 at the end of a 20 year battle with brain tumors. Shortly after her passing, Kim Hill’s parents attended the Ronald McDonald House’s national convention to give a presentation regarding their involvement, a truly remarkable feat defining their dedication not only to the organization, but for their daughter and the community trapped in the same situations to which tormented them for years (A. Powel, personal communication, September 28, 2015).

On the outskirts of downtown Cleveland, Ohio, the Ronald McDonald House is an outstanding chapter among its counterparts due to its comparatively exceptional program outreach. Of the current 349 nonprofit organizational homes[[1]](#footnote-1), only 196 Family Rooms have been established, and the Cleveland’s Ronald McDonald House is rare, in that it supports multiple family rooms and is the only Ohio chapter to even employ the program. At the Cleveland Clinic, MetroHealth, Fairview Hospital, and Rainbow Babies & Children’s Hospital, the local chapter and the national organization aspire to comfort the families and reduce as much strain as possible by providing this extension of their service (A. Powel, personal communication, September 28, 2015). These rooms offer a variety of amenities that may vary between family rooms, but often include facilities managed by volunteers from 9:00 a.m. to 9:00 p.m., a kitchen area, shower spaces, sleeping rooms, laundry facilities, internet access, medical reference books, a quiet space, and a television (Ronald McDonald House of Cleveland, n.d.b). Once a family has been registered, any and all healthy guests carrying valid hospital identification are welcome to use the facilities, with the exception of children, who must be accompanied and monitored by an adult at all times. In an effort for children to heal and cope better, the Family Room program offers a comfortable living space at the hospitals, a place that feels like home when the families can rest only a moment’s notice away from their sick children (Ronald McDonald House of Cleveland, n.d.b).

At times when families have sick children, these families may wait hours or, in some cases, days before they are able or wish to leave. As a supplement to the Family Room program, the Cleveland Ronald McDonald House, with the collaboration of other chapters, has innovated upon their service. Relatively new to the organization, the Happy Wheels program aims to “provide a bit of comfort as it travels the hospital hallways, bringing parents a hot beverage and snack while keeping the little ones entertained with books, fun activities, and toys” (Ronald McDonald House of Stanford, n.d.). The Cleveland Ronald McDonald House’s Happy Wheels cart frequently visits patients and families in “Pediatric Oncology, EEG Monitoring, Pediatric Intensive Care and M40 Units” (Ronald McDonald House of Cleveland, n.d.b). The cart itself is the average mobile hospitality cart, but it provides comforting items to those who are in the most need and those who are the most stressed.

Yet another program sponsored by Cleveland’s Ronald McDonald House and specially devised for the local area chapter to “empower” families dealing with illness is the Red Treehouse Organization (Red Treehouse, n.d.a). In its operation, the Red Tree House Organization provides resources, support networks, reliability, and hope in an effort to establish an encouraging online community to aid families with children from prenatal ages to young adulthood (Red Treehouse, n.d.b). This program is entirely in web-application formatting to offer individuals—even those outside the direct reach of the Cleveland Ronald McDonald House organization—the service and help of a new and inspiring online community.

As opposed to the aforementioned programs, the social mission of the houses themselves are conducted onsite and nearly mirror the business model of common hotels with exception of the ideals underlying the care of its visiting patrons. The Ronald McDonald House organization upholds its social mission, to provide affordable housing to families with ill children, through flexibility in its payment plan. Instead of a mandatory fee imposed on its guests at a price meant to generate profit, the Ronald McDonald House asks for, but does not require, a sensible donation of $20 each night. Even without this donation, guests will enjoy room and board at the expense of the organization in an attempt to ease the financial burden that families with sick children would experience housed in other locations. (A. Powel, personal communication, September 28, 2015).

With the average cost of food and lodging for one family’s stay at $75 per day, it is amazing that the Ronald McDonald House can even continue its service. On an operating budget of less than $3 million, the Ronald McDonald House must cover the costs of their employees, food, advertisement, and more, so it remains a wonder that with a seemingly small budget the organization has experienced and is currently experiencing explosive growth. In its beginning, the organization saw eleven houses open in five years. Over the course of a decade, this grew to 100 houses (Ronald McDonald House of Cleveland, n.d.a). On average over its 41 year history, the organization has erected almost nine houses every year, an amazing feat in regards to its free-service business model.

However great the total organizational expansion seems, the growth does not stop there. With each home, there comes a time when demand is too great to support all families looking for service. At Cleveland’s Ronald McDonald House, it is not uncommon to have a waiting list of 30 to 40 families at any given moment. With the organization’s high demand, not only must they build more homes to satisfy the need, but the organization must also expand its existing locations. At Cleveland’s local chapter, a current expansion is underway to add an additional 20,000 square feet of floor space, which will include 18 new guest rooms, extended recreation and conference rooms, desktop computers, and a larger kitchen facility (A. Powel, personal communication, September 28, 2015). How the organization can afford such expansions is bewildering to me, but Powell and I did not extensively cover the local chapter’s earning report.

Even without extensive knowledge concerning the Cleveland RMH’s funding, Cleveland’s Ronald McDonald House seems financially stable and quite effective in its communal role. The deciding reason to finance the current expansion is completely backed by the house’s demand for more rooms. The local chapter plays a significant role in society supplying affordable housing to families with sick children, which it does, but even so, the house has had to turn away 749 families this year alone. With regards to this knowledge, one may say the Ronald McDonald House is not effectively completing its social mission to every family, but it currently aims to do so. These families were denied full service not out of their financial inability to pay, but because the Ronald McDonald House had no room availability, which the organization wholeheartedly hopes to remedy with the current expansion. Even with such a large number of families turned away, Cleveland’s Ronald McDonald House serves an even greater number: 1,594 rooms occupied since the beginning of August which extrapolates to about 10,000 rooms occupied this year (A. Powel, personal communication, September 28, 2015). The programs of the Ronald McDonald House are quite extensive, comforting, and effective. Alisa Powell could not be more correct when she firmly declares, “the organization sees a need, and we do it.”

**ii) Cleveland RMH Effectiveness**

According to Sawhill and Williamson (2001) in *Measuring What Matters in Nonprofits*, nonprofit effectiveness can be measured in three ways. The two authors establish the first measurement of nonprofit success is for the charity to “narrowly define its mission so that progress can be measured directly”. This social mission will then have a surface-level complexity where results are easily quantifiable. Evident in the Cleveland RMH’s mission, providing affordable housing to families of hospitalized children can be directly measured by counting the numbers of rooms provided and meals served over a set period of time. The second measurement method is to invest in research and public studies that will analyze abstract thoughts, such as public opinion, to produce reliable qualitative data. The media exposes the public’s opinion on how well the Cleveland RMH can instill hope into its patrons. Sometimes an organization cannot define its mission by simple terms or cannot afford to invest in comprehensive studies, so a third method of measurement is for the nonprofit to develop less significant side missions that when achieved in large numbers reflect well on the organization’s overall success. The Cleveland Ronald McDonald House has many side goals that aim to make the nonprofit recognized for excellence, such as integrating the community in volunteerism, making it an expert candidate for all Sawhill and Williamson methods of measuring nonprofit effectiveness.

After examining public opinion, employee reviews, and quantifiable data all regarding the organization’s programs and services, it is clear that the Ronald McDonald House of Cleveland is mildly effective in its mission of providing essential services and resources to families of medically challenged children. This paper first describes how the organization achieves effectiveness with regards to its side missions, then the organization’s ambition of instilling hope into its patrons and inspiring volunteerism, and finally to what extent the organization’s effectiveness is undermined when they deny more families than they serve.

In the local community, the Ronald McDonald House performs a critical function as a provider of affordable housing to families of sick children; it is a unique organization locally and worldwide in providing excellent hospitality at affordable rates. As a result of generous and empathetic service, the community is wholeheartedly supportive, encouraging, and respectful of the organization. Public opinion of the Cleveland RMH can be summarized in a single word: adoring. Not many, if any, sources exist criticizing the work of the organization. Simple website searches cross examining the Cleveland RMH with keywords that may be expected of a critical article, such as “misconduct” or “scandal,” consistently produce no valid results that illuminate any public mistrust in the Cleveland RMH. Time and time again, articles are published by Fox 19 News, Cleveland 19 News, and The Plain Dealer that tell how the RMH is preparing to expand, holding family-fun events, or perhaps receiving large community donations (McIntyre, 2012; Cleveland 19 Digital Team, 2014; Cleveland 19 News, n.d.). These news stories typically focus on the relationship with the local community and fit accordingly with the Sawhill and Williamson’s methodology of measuring nonprofit effectiveness; specifically, this form of measurement examines the nonprofit’s side missions to reflect upon its overall success. The Cleveland RMH wishes to further integrate the community with charitable volunteerism and experiences, which it accomplishes through not only its volunteerism programs, but also with its direct interactions with members of the community in such events. With the adoration the community holds for the Cleveland RMH, the nonprofit organization meets standards of effectiveness on the basis of public approval.

Much like that of public opinion, employee and volunteer reviews of the RMH strongly agree with a favorable evaluation for the Cleveland RMH’s effectiveness. For instance, Indeed.com, a website dedicated to providing job insight from current and previous workers, provides a location for workers to engage and discuss their experiences at the RMH. Nearly all of these visitors comment on the Ronald McDonald House’s programs and how they are “excellent [in] providing vital humanitarian relief to families” and “a loving environment” (Ronald McDonald House Reviews, n.d.). This website strongly reflects upon Sawhill and Williamson’s second method of investing into research to gain quantifiable and qualitative data from the more abstract concept of measuring helpfulness. With its rating system of one to five stars, Indeed.com offers an informal employee and volunteer survey to gather opinions of the nonprofit’s effectiveness. This is a fortunate resource for the Cleveland RMH because they do not have to invest any resources, with the exclusion of time, to obtain these results. The Ronald McDonald House organization as a whole received a near five-star rating from 52 reviews as of November 1, 2015 with commenters mentioning the substantial positive work they were able to do.

Although employee and volunteer opinions may be heavily biased to support their organization, as those directly reflect the support of their own actions, the Cleveland RMH employees still critique their work and aim to provide a better service. Such effort can be seen in the addition of new programs and services that focus on the community’s and the nonprofit’s patrons’ aid. In a recent interview with Director of Programs and Services for the Cleveland RMH, Alisa Powell, Mrs. Powell had mentioned that they are always trying to improve upon their services. Such is the reason for the addition of new programs and services such as the Happy Wheels program, the Family Room program, and the Red Tree House program. She added on that even though the Cleveland RMH does not turn away families for inability to pay for their rooms, she recognized that many families are turned away for the nonprofit’s lack of availability for its services, such as room and board. As she addressed a weakness in the nonprofit’s effectiveness, she further explained that they are trying to remedy the situation and increase efficiency with their expansion planned to open this year (A. Powel, personal communication, September 28, 2015).

From the first method of Sawhill and Williamson’s nonprofit effectiveness measurement strategies, to narrowly define the organization’s social mission, there comes the ability to gather more quantifiable data. The Cleveland RMH was more than enthusiastic to provide extensive information that they have gathered over their years of operation. The data detailing the occupancy statistics for August of 2015 provides a direct measurement for the evaluation of nonprofit effectiveness. The social mission of the Cleveland RMH is narrowly defined so results can be measured from number of people whom utilized the nonprofit’s services. For the month of August, the average length of stay was 18 nights for all families who were granted a room. According to USA today, a thrifty plan of three meals a day for a family of four can amount to $21 per day (Hellmich, 2013). In conjunction with the lowest advertised cost of any Cleveland area hotel reported by Kayak.com at $45 per night, the average Cleveland RMH patron saves almost $1,200 over the course of their stay (2015). This is a significant relief of financial burden that effectively instills hope and peace of mind for families, while adhering to the nonprofit’s social mission of providing affordable housing and essential services such as meals. However large this sum may seem, it is miniscule in comparison to the estimated amount saved by international families over their average 82 night stay amounting to $5,400. The Cleveland RMH is so completely committed to their social mission that they did not collect $121,706 of fees for their patrons between August and January of 2015 to keep their free-service business model in line with their ideals (Cleveland Ronald McDonald House, 2015). This increases their effectiveness because they are offering a plan that keeps the housing affordable and essential services to an absolute minimum cost, so families of medically challenged children can realistically continue to use the Cleveland RMH’s services. Whether a family is staying for one night or a few months, the Ronald McDonald House is effectively lifting financial burden with its programs, so families can focus on the healing process of their children.

Even though the Ronald McDonald House is addressing this tragic social concern, the work they conduct is their greatest strength and weakness, resulting in the overall mildly effective rating. The Cleveland RMH is surely a provider of amazing charitable work, but it is not keeping up with the high demand that the organization faces daily. From January to the end of August, 2015, the Cleveland RMH served 625 families and 833 guests of these families and guests from the surrounding communities. However large this number may be, it is unfortunately dwarfed by the number of families the nonprofit must turn away. Over the same period of time, the nonprofit turned away 749 families for their lack of room availability. The Cleveland Ronald McDonald House is technically fulfilling its mission by servicing some families, but its efficiency rating is reduced because it is also technically turning more families away than it is providing service to. Therefore, because of this ratio that leans towards turning more people away than it helps, the Ronald McDonald House is only somewhat effective. This is due to the organization’s small room count with respect to its demand. From the start of the year to August, rooms were occupied 96.4% of the time, which may seem efficient, but means there were 685 instances of unoccupied rooms in eight months, which could have been more efficiently used for other families that were turned away (Cleveland Ronald McDonald House, 2015). To address these problems, the Cleveland RMH is expanding to include many new rooms by the end of 2015 and refers these rejected families to local hotels that offer decent discounts regarding the family’s circumstances (A. Powel, personal communication, September 28, 2015). What matters is the Cleveland RMH is trying to become more effective in its service.

Through examination of public opinion, employee and volunteer review, quantifiable data, and the Cleveland RMH’s program weaknesses, there is clear evidence to evaluate the nonprofit’s effectiveness as mildly proficient. Public opinion is wholeheartedly in support of practically any decision the Cleveland RMH has made to date while the community has been greatly involved in the nonprofit’s activities. Employees and volunteers have remarked upon their experiences as enlightening, and extremely helpful to its patrons, while statistical data would support the Cleveland RMH as saving its patrons from additional and substantial financial burdens. Sawhill and Williamson would most likely see all three of their methods in action to measure the effectiveness of the Cleveland RMH. With each argument in mind, the Cleveland RMH should only be ranked as mildly effective in its mission because its weakness of turning more people away than it serves is alarming and unfortunate. Yet, advocates of the Cleveland RMH would like to make known that they want to attend to and fix this problem. One way to solve this problem is to provide a charitable donation yourself so this organization can continue to expand and address to a greater degree this saddening social concern.

**iii) Cleveland RMH Income Statement**

With the paper moving into financial analysis of income statements, it is important to note that 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 result of revenue minus expenses and should be positive showing that organizations have earned more than they spent. 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 although the income decreased slightly from 2012 to 2013, 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 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% or 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 its 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 to. Based on these percentages, and the organization’s size and the way it raises revenue, the Cleveland RMH is justified in its spending and is doing well because many people are continuing to donate, the Cleveland RMH is expanding, and it spends most of its money on programs and services. Its relatively large fundraising cost is proportional to its reliance on direct public support which we have deduced is its largest source of income.

The Cleveland RMH spends $1,263,552, or 51.27% on personnel. This seems very reasonable since the organization is extremely dependent on 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 down to its current number.

I compared the Cleveland RMH to three similar nonprofits: the Columbus RMH in Columbus, Ohio; the St. Louis RMH is 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 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 illnesses without the stress of additional financial burdens. Families are able to focus on the healing process of their children rather than on the stress of medical bills, shopping, cleaning, or cooking (Ronald McDonald House Charities, n.d.c). Every Home offers home-cooked meals, private bedrooms, and playrooms for children. Not only is each Home an extension of living, but it is also means of providing the best care that may be thousands of miles away from their homes 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 and one of these ideals is evident in their programs. Ronald McDonald Houses do not turn away families for their inability to pay for the organizations’ services. Therefore, the Ronald McDonald Houses do not 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 that recognizes spending a large majority of its expenses on its programs and services is essential to the health and stability of its organization. By spending most of its expenses 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 expenses needs to be spent on securing future donations, also. The remaining unspent income is 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 on 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 conduct superb humanitarian work. The organizations seem to be doing well after an analysis of their income statements. Their ongoing financial sustainability will probably be supported by the community as a whole. If these nonprofits were to experience hardship, I am sure their local communities would attempt to resolve the organization’s financial insecurity, since these organizations’ programs and services are vitally important. 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 on direct public support and the public must continue to support these organizations if they are to still exist in the future.

**iv) Cleveland RMH Balance Sheet**

In addition to examining organizations’ income statements, we also need to analyze their balance sheets in order to more fully understand their financial condition. Whereas income statements shows us all the income organizations brought in during their fiscal year, all the expenses they incurred during the year, and their net income as a result of that year’s activities, balance sheets show us organizations’ financial position on the last day of the fiscal year. Also, whereas income statements start over every year, beginning on the first day of the fiscal year with $0 in income and $0 in expenses, balance sheets account for liabilities and net assets over the course of organizations’ existence. Balance sheets show us organizations’ assets, or what they own; liabilities, or what they owe; and net assets, or what they are worth as they are on the last day of the fiscal year. Organizations’ assets minus their liabilities equals their net assets.

When we look at balance sheets we are analyzing them for liquidity and leverage. Liquidity is a measurement for how easily organizations’ assets can be turned into cash. We determine this by looking at organizations’ assets. Liquidity is important because it will offer the organizations financial security if they were not able to meet financial need at any time in their operations. Liquidity will also help pay bills it already has and upcoming expenses for the next three to six months. Organizations’ most liquid assets are, in this order, cash and equivalents, all forms of receivables, inventory, and finally investments. Organizations’ least liquid assets are fixed assets because property, land, buildings, equipment, and vehicles are difficult to sell. Buyers are few and these items are often needed and in use.

Organizations should have enough cash on hand to pay the bills they already owe, or accounts payable, as well as enough to cover at least three, and hopefully six months of expenses. The Cleveland Ronald McDonald House, otherwise known as the Cleveland RMH, has $4,161,834 of cash on hand which is enough to pay the bills they already owe, which total $1,233,413. That amount of cash is enough to pay their expenses for 616 days, or 20.5 months. Based on this information, this nonprofit does have enough liquidity, and should continue to save to ensure the amount of liquid assets they have on hand remains high.

Leverage is how in debt organizations are. To assess organizations’ leverage, we examine their liabilities and compare those to their assets. It is better to have a low leverage, meaning that the organizations have fewer liabilities compared to assets. This is important because the more in debt organizations are, the less financially secure they are. The debt must be paid and it needs to be paid out of profit, otherwise organizations will secure even more debt. The Cleveland RMH’s debt is 50.39% compared to its assets, meaning it has high leverage.

Based on The Cleveland RMH’s liquidity and leverage, as well as its operating financial sustainability as revealed by its income statements, it appears that its financial condition is moderate. Even though the Cleveland RMH has a high leverage and with extensive mortgages on its property, the organization’s ability to sustain itself for another 20.5 months with only available cash on hand is exceptional in comparison to other organizations, and the Cleveland RMH had positive net income for its latest fiscal year. Therefore, this nonprofit should focus on lowering its leverage to improve its financial state. Instead of expanding the Home that is owed so much on, the organization should be dedicating a portion of its income to paying off its liabilities.

I will also examine my comparison organizations’ financial condition, looking at their liquidity and leverage, and then assess their overall financial health and compare their situations with one another and my primary organization.

The Columbus RMH has $3,115,668 in cash in hand, which is enough to pay its current bills, totaling $962, 873. That amount of cash is enough to pay its expenses for 437 days, or 14.6 months. Therefore, this organization is sufficiently liquid, and should continue its operations as it has been doing, so future finances will hopefully project to the same results. Its leverage is 4.89%, meaning it has very low leverage. Overall, The Columbus RMH’s financial condition is good because the organization had a large positive net income, proved to be very liquid, and has very low leverage.

The St. Louis RMH has $811,711 in cash in hand, which is enough to pay its current bills, totaling $153,904. That amount of cash is enough to pay its expenses for 86 days, or 2.9 months. Therefore, this organization is insufficiently liquid based on a general rule of thumb, and should continue to save to ensure that it will have at least three months, if not six months, of cash on hand. The organization will need to decrease its expenses to allow for more savings. Its leverage is 16.36%, meaning it has low leverage. Overall, the St. Louis RMH’s financial condition is poor. Even though the organization has low leverage, this leverage may be projected to increase based of their negative net income and insufficient amount of cash on hand to cover financial crises.

The Philadelphia RMH has $1,392,018 in cash on hand, which is enough to pay its current bills, totaling $130,923. That amount of cash is enough to pay its expenses for 135 days, or 4.5 months. Therefore, this organization is sufficiently liquid, and should continue to decrease its expenses to ensure the optimal amount of cash on hand for six months. Its leverage is 0.54%, meaning it has extremely low leverage. Overall, the Philadelphia RMH’s financial condition is good because of many factors. The Philadelphia RMH had a very large positive net income, a very low leverage almost amounting to 0%, and a sufficient amount of cash on hand.

Of these four organizations in this nonprofit subsector of humanitarian social services, the financial situations of two out of four are good, while the other organizations’ financial condition are moderate or poor. Some of the reasons why these nonprofits may be in these situations are their inabilities to work well enough with potential donors to ensure these donors give to their organizations. Most, if not all Ronald McDonald Houses, are supported primarily by charitable donations. Some of these organizations receive more donations than others which may distinguish between the financial securities of some Ronald McDonald Houses compared to others. In the future, these organizations need to realize that at any moment the donations they receive could dwindle. It is of the utmost importance that these organizations that are extremely reliant off of public donations take necessary precautions to safeguard their future financial security. It is recommended that these organizations decrease expenses and save income in the form of liquid assets that may protect them from future financial crises, while focusing on donor relations.

**v) Cleveland RMH Closing Thoughts**

The Cleveland Ronald McDonald House has long been attending a heartbreaking social concern. In all likeliness, since the day hospitals transformed from a place of death to a place of health some many years ago, there has been the need for an organization to advocate and provide essential services for families with medically challenged children. Parents want the best care for their children, but will often need to travel thousands of miles to receive high quality and specialized medical attention. As a result of their travel and the extended stay that accompanies serious visits to the hospital, there can be substantial financial burdens on these families. This is where the Ronald McDonald House Charities are needed; to minimize the financial burden that comes with extended out-of-town trips and hospitalized children, so families may dedicate all of their focus to the healing process of their children.

In its recent years, the Cleveland RMH has chosen to employ a variety of new programs and services designed to effectively fulfill a mission of instilling hope into its patrons. The Family Room program, the Happy Wheels program, and the Red Tree House program act as an extension of the Cleveland RMH’s services and encourage peace of mind and comfort for the families who chose to use the service during their stay. The house itself offers a variety of essential services which are recognized as the core program employed by the organization. Each Ronald McDonald House, including the Cleveland RMH, provides free housing to any patron that can successfully reserve a room and a fully stocked kitchen that can be accessed at any time of the day.

Through examination of public opinion, employee review, quantifiable data, and the Cleveland RMH’s program-weaknesses, there is a clear evidence to evaluate the nonprofit’s effectiveness as mildly proficient. Public opinion is wholeheartedly in support of practically any decision the Cleveland RMH has made to date while the community has been greatly involved in the nonprofit’s activities. Employees have remarked upon their experiences as enlightening, and extremely helpful to its patrons, while statistical data would support the Cleveland RMH as saving its patrons from additional and substantial financial burden. Sawhill and Williamson would most likely see all three of their methods in action to measure the effectiveness of the Cleveland RMH. With each argument in mind, the Cleveland RMH should only be ranked as mildly effective in its mission because its weakness of turning more people away than it serves is alarming and unfortunate. Yet, advocates of the Cleveland RMH would like to make known that the organization wants to attend to and fix this problem.

The finances of the Cleveland RMH and its comparison organizations are improving. These subsections of the larger international organization, Ronald McDonald House Charities, conduct exceptional humanitarian work. The Cleveland Ronald McDonald House seems to be doing well and learning from their past mistakes, apparent after an analysis of their income statement from its latest fiscal year. Their ongoing financial sustainability will probably be supported by the community as a whole as long as the economy allows for the public to provide the organization with its greatest source of income: charitable donations. To make sure these organizations never reach a point in which they experience financial hardship, the community will need to continue to give support. Ronald McDonald Houses Charities and its chapters are extremely dependent off of direct public support and the public must continue to provide charitable donation if the Cleveland RMH and its comparison organizations are to still exist in the future.

The current rating of the Ronald McDonald House is good based off the organization’s balance sheet from 2012 and 2013. The Ronald McDonald House works well with its donor’s to secure the necessary income to ensure financial stability. The organization is a very justified appropriator of its expenses as it devotes the greatest parts of its wealth to its programs, the next largest amount to its marketing team which is responsible for bringing in donations, and the smallest amount to its workforce. In the future, the Cleveland RMH needs to realize that at any future moment, the donations the organization receives could decrease in numbers and size. It is extremely important that the Cleveland RMH take necessary precautions to safeguard its future financial security by decreasing expenses and saving income in the form of liquid assets that may protect them from future financial crises.

I recommend that anyone with a heart create their own experience with the Cleveland RMH. This organization is deserving of any time that prospective volunteers could spare and surely needs the help. This organization is charity driven and has been purposed for the public’s use when its members are most vulnerable, such as having hospitalized children. It is the duty of the public to show support for the Cleveland RMH and provide charitable donations or time.

**vi) Acknowledgments**

Since the beginning of this research, my experience with the RMH has been overwhelmingly positive. Alisa Powell and her coworkers are the perfect example of people dedicated to their jobs and to the people they serve. She has been immensely supportive in her role as a representative to the organization by supplying this paper the necessary resources to conduct a full analysis. Her responsiveness and professionalism represents this paper’s completion.

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1. The Ronald McDonald House homes are specifically designated 501(c)3 charitable organizations as declared by Federal and State Law, and the Internal Revenue Service. [↑](#footnote-ref-1)