

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

LORI J LEMIEUX CPA PLC

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.

FINANCIAL STATEMENTS

CONTENTS

DECEMBER 31, 2014 AND 2013

INDEPENDENT AUDITORS REPORT.....	1-2
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES.....	4
STATEMENT OF FUNCTIONAL EXPENSES.....	5
STATEMENT OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-14

INDEPENDENT AUDITOR'S REPORT

910 Maplerow Ave NW
Grand Rapids, MI 49534

(616)735-4233 Phone/Fax
Lemieuxcpa@hotmail.com

To the Board of Directors
Ronald McDonald House Charities of Outstate Michigan, Inc.
Hudsonville, Michigan

Report on the Financial Statements

I have audited the accompanying statements of financial position of the Ronald McDonald House Charities of Outstate Michigan (a not-for-profit organization) as of December 31, 2014 and 2013, and the related statements of activities, net assets, and cash flows for the years then ended, and the related notes to the financial statements. The prior year summarized comparative information is derived from the Organization's 2013 financial statements and, in my report dated May 8, 2014; I expressed an unqualified opinion on them.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Ronald McDonald House Charities of Outstate Michigan, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

 CPA PLC
Lori J Lemieux CPA PLC

Grand Rapids, Michigan
May 7, 2015

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
STATEMENT OF FINANCIAL POSITION**

<u>ASSETS</u>	December 31,	
	2014	2013
CURRENT ASSETS:		
Cash	\$ 301,473	\$ 214,590
Investments	256,121	265,856
Total current assets	597,594	480,446
OTHER ASSETS:		
Contributions Receivable	395,636	426,446
Equipment, net of accumulated depreciation of \$347,514 and \$308,041, respectively	1,171	41,121
Total other assets	396,807	467,567
TOTAL ASSETS	\$ 954,401	\$ 948,013
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable and Accrued expenses:		
RMHC National quarterly contribution	\$ 30,135	\$ 28,245
Scholarships payable, net	26,000	30,000
Grants payable	3,500	20,000
Accrued expenses	1,160	1,160
Accrued wages	1,183	1,065
Total current liabilities	61,978	80,470
LONG-TERM LIABILITIES:		
Scholarships payable, net	25,000	30,000
Total long-term liabilities	25,000	30,000
Total liabilities	86,978	110,470
NET ASSETS:		
Unrestricted	471,787	411,097
Temporarily restricted	395,636	426,446
Total Net Assets	867,423	837,543
TOTAL LIABILITIES AND NET ASSETS	\$ 954,401	\$ 948,013

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

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
REVENUES AND GAINS (LOSSES):				
Public Support:				
Canister collections	\$ 548,836	\$ --	\$ 548,836	\$ 541,270
National promotions	271,972	--	271,972	233,956
Non-cash grant	--	--	--	--
Other contributions	19,728	--	19,728	21,160
Unused grants returned	3,087	--	3,087	1,665
Net assets released from restriction:				
Satisfaction of time restriction	30,810	(30,810)	--	--
Total Public Support	<u>874,433</u>	<u>(30,810)</u>	<u>843,623</u>	<u>798,051</u>
Gains (Losses):				
Net unrealized gain (loss) on investments	(5,392)	--	(5,392)	16,084
Investment income	11,762	--	11,762	6,809
Realized gain (loss) on investment	(3,104)	--	(3,104)	4,078
Total Gains (Losses)	<u>3,266</u>	<u>--</u>	<u>3,266</u>	<u>26,971</u>
Total Revenues and Gains (Losses)	<u>877,699</u>	<u>(30,810)</u>	<u>846,889</u>	<u>825,022</u>
EXPENSES:				
Grant expenses	379,499	--	379,499	359,348
Scholarship expenses	41,637	--	41,637	52,058
RMHC national affiliation fee	175,343	--	175,343	164,941
Administrative wages	40,810	--	40,810	41,310
General and administrative	77,322	--	77,322	127,876
Collection canisters	102,398	--	102,398	105,166
Total Expenses	<u>817,009</u>	<u>--</u>	<u>817,009</u>	<u>850,699</u>
INCREASE (DECREASE) IN NET ASSETS	<u>60,690</u>	<u>(30,810)</u>	<u>29,880</u>	<u>(25,677)</u>
NET ASSETS, Beginning of year	<u>411,097</u>	<u>426,446</u>	<u>837,543</u>	<u>863,220</u>
NET ASSETS, End of year	<u>\$ 471,787</u>	<u>\$ 395,636</u>	<u>\$ 867,423</u>	<u>\$ 837,543</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2013**

	Program Services		Support Services		2014	2013
	Grants and Scholarships	Total Program Services	Fundraising	Management and General	Total Expenses	Total Expenses
Salaries	--	--	--	\$ 40,810	\$ 40,810	\$ 41,310
Payroll taxes	--	--	--	3,122	3,122	3,160
Total salaries and payroll taxes	--	--	--	43,932	43,932	44,470
Grant expenses	379,499	379,499	--	--	379,499	359,348
Scholarship expenses	41,637	41,637	--	--	41,637	52,058
Collection canisters	--	--	102,398	--	102,398	105,166
Depreciation	--	--	--	40,720	40,720	69,583
Awareness	--	--	--	14,105	14,105	32,887
Accounting	--	--	--	7,390	7,390	7,090
Insurance	--	--	--	4,315	4,315	3,950
Meals & entertainment	--	--	--	1,483	1,483	1,423
Telephone	--	--	--	1,422	1,422	1,421
Bank charges	--	--	--	1,351	1,351	1,540
Office expenses	--	--	--	1,302	1,302	2,174
Payroll processing	--	--	--	1,052	1,052	1,042
Web Site	--	--	--	453	453	809
Miscellaneous	--	--	--	222	222	77
Travel	--	--	--	222	222	2,037
Plaques	--	--	--	163	163	683
Total functional expenses	421,136	421,136	102,398	118,132	220,530	685,758
RMHC national affiliation fee	--	--	--	--	--	164,941
Total expenses	\$ 421,136	\$ 421,136	\$ 102,398	\$ 117,969	\$ 817,009	\$ 850,699

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

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
STATEMENT OF CASH FLOWS

	For the year ending December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 29,880	\$ (25,677)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Net unrealized (gains) losses on investments	5,392	(16,084)
Depreciation	40,720	69,583
Decrease (increase) in receivables	30,810	29,483
Increase (decrease) in accrued liabilities	(14,492)	(37,405)
	<u>92,310</u>	<u>19,900</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(125,762)	(139,170)
Sale of investments	130,105	85,283
Purchase of equipment	(770)	--
	<u>3,573</u>	<u>(53,887)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Scholarship commitment, net	(9,000)	--
	<u>(9,000)</u>	<u>--</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH	86,883	(33,987)
CASH, Beginning of year	<u>214,590</u>	<u>248,577</u>
CASH, End of year	<u>\$ 301,473</u>	<u>\$ 214,590</u>

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

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Ronald McDonald House Charities of Outstate Michigan, Inc. (RMHC) is a not-for-profit corporation under the laws of the state of Michigan. The organization supports other select organizations engaged in activities that benefit children. The corporation does not contemplate pecuniary gain or profit to the members thereof. The Charity's primary source of income comes from the National Ronald McDonald House fundraisers and from participating McDonald's restaurants throughout the state of Michigan.

BASIS OF PRESENTATION

Under the provisions of authoritative guidance, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Ronald McDonald House Charities of Outstate Michigan Inc. and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. The Organization has no permanently restricted net assets at December 31, 2014 and 2013.

Revenues are reported as increases in net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets. Expirations of temporarily restricted net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

The statement of cash flows is designed to show the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to cash and are so near maturity that fluctuations in interest rates lead to insignificant risk of change in investment value. The Organization held cash equivalents at December 31, 2014 and 2013 of \$2,915 and \$52,047, respectively, which are included in Investments at December 31, 2014 and 2013.

INVESTMENTS

In accordance with FASB ASC No. 958-320, investments are reported in the statements of financial position at quoted prices for identical items in active markets with any realized or unrealized gains and losses reported in the statement of activity. Investment income is recognized as changes in net assets in the accounting period in which they occur.

PROPERTY AND EQUIPMENT

Depreciation is computed using the straight-line method, based on estimated useful lives of the assets. The Organization utilizes office space rent-free in the home of the executive director.

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT
(CONTINUED)**

In 2005, the Organization received \$50,000 from a Trust Fund and notice that 19 future payments of the same amount would be sent to the Organization annually on or around December 1 of each year.

Contributions receivable of \$395,636 at December 31, 2014 and \$426,446 at December 31, 2013 represent the net present value of the remaining payments to be received discounted at 4.5%.

INCOME TAXES

The Organization is a tax-exempt center under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for a charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a)(2). Management believes tax years 2011 through 2014, following administrative practice of taxing authorities, remain open and subject to review. Management believes that its income tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations or cash flows. Accordingly, for all open tax years, the Organization has not recorded any reserves or related accruals for uncertain income tax positions at December 31, 2014 and 2013.

USE OF ESTIMATES

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

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COLLECTIONS CANISTERS

Collection canisters are charged to expense as purchased. Although the potential useful life of the canisters exceeds one year, the national organization has directed its affiliates to adopt the consistent policy of expensing the canisters in the year of acquisition.

FAIR VALUE MEASUREMENT

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2- Quoted prices in markets that are not considered active or financial instruments for which significant inputs, include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

Level 3- Significant unobservable inputs, which may include the organization's own assumptions in determining fair value.

CASH

Substantially all cash is on deposit with one financial institution. Balances are covered by federal depository insurance up to the maximum allowed by law. During the course of the year, the Organization may have on hand amounts in excess of the FDIC insured limit. There were no balances as of December 31, 2014 and 2013 that were uninsured or uncollateralized.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

INVESTMENTS

Following is a summary of investment securities as of December 31, 2014:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Mutual Funds	\$ 246,139	\$ 253,206	\$ 7,067
Money Market	2,915	2,915	--
	<u>\$ 249,054</u>	<u>\$ 256,121</u>	<u>\$ 7,067</u>

Following is a summary of investment securities as of December 31, 2013:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Mutual Funds	\$ 201,415	\$ 213,809	\$ 12,394
Money Market	52,047	52,047	--
	<u>\$ 253,462</u>	<u>\$ 265,856</u>	<u>\$ 12,394</u>

The following summarizes the return on investments:

	<u>For year ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Investment income	\$ 11,762	\$ 6,809
Unrealized gain on investments	(5,392)	16,084
Realized gain (loss) on investments	(3,104)	4,078
Net investment income	<u>\$ 3,266</u>	<u>\$ 26,971</u>

FAIR VALUE MEASUREMENTS

The following summarizes assets measured at fair value on a recurring basis as on December 31, 2014:

	<u>Total</u>	<u>Level 1 Quoted Prices</u>
Money Market	\$ 2,915	\$ 2,915
Mutual Funds	253,206	253,206

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

GRANT EXPENSES

Grants approved in 2014 were:

Ronald McDonald House of Western Michigan	\$ 100,000
Ronald McDonald House of Mid-Michigan	95,000
Munson Health Care Regional Found	31,325
Sparrow Foundation	17,414
Kids Food Basket	16,250
Flint Diaper Bank	12,500
Ionia County Intermediate School District	12,500
Covenant Healthcare Foundation	12,000
CASA of Kent County	10,000
Food Bank of South Central Michigan (Kid'	10,000
Pregnancy Resource Center	10,000
Eagle Village Inc.	9,974
White Lake Community Library	7,457
West MI Flight Academy	5,000
Boys & Girls Club of GR	3,950
Comstock Community Ctr Inc	3,750
Rose Lake Youth Camp	3,458
Genesee Cty Asthma Network	2,863
Kalamazoo Jr Symphony Soc	2,750
Blessing in a Backpack	2,438
Grand Ledge Public Schools	2,120
Jackson County Intermed School Dist	2,000
Saugatuck Center for the Arts Inc	1,500
Big Brothers Big Sisters of the Lakeshore	1,250
Michael's Place	1,250
The Creative Youth Ctr of GR	1,250
GR Creative Youth Center	750
Lowell Area Schools	750
	<u>\$ 379,499</u>

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

GRANT EXPENSES (CONTINUED)

Grants approved in 2013 were:

Ronald McDonald House of Western Michigan	\$71,055
Ronald McDonald House of Mid-Michigan	64,950
Ionia County Intermediate School District	28,625
Montcalm Area Intermediate School Dist	28,106
Hillsdale Comm Health Center	25,000
Kids Food Basket	17,500
Temple United Methodist Church	15,000
Michael's Place	12,500
Family Promise	10,000
Pregnancy Resource Center	10,000
Sabaoth Ministries	9,250
Ennis Center for Children Inc	8,724
Comprehensive Therapy Center	7,989
Lincoln Development Center	6,063
EUP Learning Center Inc	5,109
Big Brothers Big Sisters of the Lakeshore	5,000
Girl Scouts Heart of MI	5,000
Jackson County Intermed School Dist	5,000
Ready for School	5,000
The Grand Rapids Student Adv Foun	3,750
Children's Advocacy Center	3,477
Lansing School District	3,000
Campfire West MI	2,500
Muskegeon Area Sister Cities	2,500
YMCA Greater GR	1,750
Saugatuck Center for the Arts Inc	1,500
Heights of Hope	1,000
	<hr/>
	\$ 359,348

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets of \$395,636 at December 31, 2014 and \$426,446 at December 31, 2013 represent the net present value of the future payments to be received. See note entitled "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" for additional information.

RELATED PARTY TRANSACTIONS

Ronald McDonald House Charities of Outstate Michigan, Inc. is affiliated with the national organization of Ronald McDonald House Charities (RMHC). The affiliation agreement specifies that 25% of certain fundraising activities be paid to the national organization. Fundraising events specifically for Ronald McDonald House are exempted from this requirement. Amounts paid to the national organization were \$175,343 and \$164,941 for the years ended December 31, 2014 and 2013, respectively. As part of this affiliation, the national organization will match contributions up to \$140,000 per year.

Ronald McDonald House Charities of Outstate Michigan, Inc. is also affiliated with Ronald McDonald Houses located in Michigan. Amounts granted to those Ronald McDonald Houses were \$195,000 and \$136,005 for the years ended December 31, 2014 and 2013, respectively.

COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the Independent Auditor's Report, which is when the financial statements were available to be issued.