

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**LORI J LEMIEUX CPA PLC**

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.**

**FINANCIAL STATEMENTS**

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**DECEMBER 31, 2010 AND 2009**

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**INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying statements of financial position of Ronald McDonald House Charities of Outstate Michigan, Inc. as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits. The prior year summarized comparative information is derived from the Organization's 2009 financial statements and, in my report dated April 28, 2010; I expressed an unqualified opinion on them.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Ronald McDonald House Charities of Outstate Michigan, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

  
Lori J Lemieux, CPA PLC

Grand Rapids, Michigan  
May 5, 2011

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

<b><u>ASSETS</u></b>	December 31,	
	2010	2009
<b>CURRENT ASSETS:</b>		
Cash	\$ 457,774	\$ 246,357
Investments	158,714	121,592
<b>Total current assets</b>	616,488	367,949
<b>OTHER ASSETS:</b>		
Contributions Receivable	535,065	583,794
Equipment, net of accumulated depreciation of \$99,292 and \$30,131, respectively	249,870	317,725
<b>Total other assets</b>	784,935	901,519
<b>TOTAL ASSETS</b>	\$ 1,401,423	\$ 1,269,468
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued expenses:		
RMHC National quarterly contribution	\$ 34,791	\$ 36,241
Scholarships payable, net	20,000	10,000
Due to RMHC National	260,936	-
Accrued wages	482	473
Accrued expenses	960	1,004
<b>Total current liabilities</b>	317,169	47,718
<b>LONG-TERM LIABILITIES:</b>		
Scholarships payable, net	30,000	20,000
Due to RMHC National	-	259,957
<b>Total long-term liabilities</b>	30,000	279,957
<b>Total liabilities</b>	347,169	327,675
<b>NET ASSETS:</b>		
Unrestricted	519,189	357,999
Temporarily restricted	535,065	583,794
<b>Total Net Assets</b>	1,054,254	941,793
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,401,423	\$ 1,269,468

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, 2010**  
**WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2009**

	Unrestricted	Temporarily Restricted	Total 2010	Total 2009
<b>REVENUES AND GAINS (LOSSES):</b>				
Public Support:				
Canister collections	\$ 603,160	\$ --	\$ 603,160	\$ 464,323
National promotions	251,581	--	251,581	207,724
Non-cash grant	327	--	327	86,652
Other contributions	53,865	--	53,865	64,839
Unused grants returned	9,341	--	9,341	4,260
Net assets released from restriction:				
Satisfaction of time restriction	48,729	(48,729)	--	--
<b>Total Public Support</b>	<u>967,003</u>	<u>(48,729)</u>	<u>918,274</u>	<u>827,798</u>
Gains (Losses):				
Net unrealized gain on investments	11,491	--	11,491	8,967
Investment income	1,631	--	1,631	1,477
<b>Total Gains (Losses)</b>	<u>13,122</u>	<u>--</u>	<u>13,122</u>	<u>10,444</u>
<b>Total Revenues and Gains (Losses)</b>	<u>980,125</u>	<u>(48,729)</u>	<u>931,396</u>	<u>838,242</u>
<b>EXPENSES:</b>				
Grant expenses	344,804	--	344,804	325,575
Scholarship expenses	43,618	--	43,618	43,784
RMHC national affiliation fee	191,567	--	191,567	148,368
Administrative wages	40,000	--	40,000	34,496
General and administrative	109,848	--	109,848	76,982
Collection canisters	89,098	--	89,098	81,972
<b>Total Expenses</b>	<u>818,935</u>	<u>--</u>	<u>818,935</u>	<u>711,177</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>161,190</u>	<u>(48,729)</u>	<u>112,461</u>	<u>127,065</u>
<b>NET ASSETS, Beginning of year</b>	<u>357,999</u>	<u>583,794</u>	<u>941,793</u>	<u>814,728</u>
<b>NET ASSETS, End of year</b>	<u>\$ 519,189</u>	<u>\$ 535,065</u>	<u>\$ 1,054,254</u>	<u>\$ 941,793</u>

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,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 112,461	\$ 127,065
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gains) losses on investments	(11,491)	(8,967)
Depreciation	69,161	28,884
Decrease (increase) in receivables	48,729	46,631
Increase (decrease) in accrued liabilities	(1,485)	15,423
	<b>217,375</b>	<b>209,036</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(25,631)	(51,473)
Purchase of equipment	(1,306)	(346,609)
	<b>(26,937)</b>	<b>(398,082)</b>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Scholarship commitments, net	20,000	30,000
Long-term financing issued	979	259,957
	<b>20,979</b>	<b>289,957</b>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>INCREASE (DECREASE) IN CASH</b>	<b>211,417</b>	<b>100,911</b>
<b>CASH, Beginning of year</b>	<b>246,357</b>	<b>145,446</b>
<b>CASH, End of year</b>	<b>\$ 457,774</b>	<b>\$ 246,357</b>

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, 2010 AND 2009**

**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 they be maintained permanently by the Organization. The Organization has no permanently restricted net assets at December 31, 2010 and 2009.

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, 2010 AND 2009**

**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, 2010 and 2009 of \$80,157 and \$54,834, respectively which are included in Investments at December 31, 2010 and 2009.

**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, 2010 AND 2009**

**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. In 2008, the Organization received \$25,000 from a donor and notice that 3 future payments of the same amount would be sent to the Organization annually on or around October 1 of each year.

Contributions receivable of \$535,065 at December 31, 2010 and \$583,794 at December 31, 2009 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 Center 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 2007 through 2010, 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, 2010.

**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, 2010 AND 2009**

**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.

During 2009, participating McDonald's restaurants installed collection canisters in their drive-thru areas. The costs including installation of these canisters was funded by the national organization via 25% in-kind donation and 75% interest free loan to be repaid by December 31, 2011. The national organization has directed its affiliates to depreciate these canisters over a period of five years.

**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, 2010 that were uninsured or uncollateralized.

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**INVESTMENTS**

Following is a summary of investment securities as of December 31, 2010:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 15,905	\$ 38,380	\$ 22,475
Mutual Funds	39,922	40,177	255
Money Market	80,157	80,157	--
	<u>\$ 135,984</u>	<u>\$ 158,714</u>	<u>\$ 22,730</u>

Following is a summary of investment securities as of December 31, 2009:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 15,905	\$ 31,220	\$ 15,315
Mutual Funds	39,614	35,538	(4,076)
Money Market	54,834	54,834	--
	<u>\$ 110,353</u>	<u>\$ 121,592</u>	<u>\$ 11,239</u>

The following summarizes the return on investments:

	<u>For year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Investment income	\$ 1,631	\$ 1,477
Unrealized gain (loss) on investments	11,491	8,967
Net investment income (loss)	<u>\$ 13,122</u>	<u>\$ 10,444</u>

**FAIR VALUE MEASUREMENTS**

Assets measured at fair value on a recurring basis on December 31, 2010

	<u>Total</u>	<u>Level 1 Quoted Prices</u>
Money Market	\$80,157	\$80,157
Equities	38,380	38,380
Mutual Funds	40,177	40,177

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**GRANT EXPENSES**

Grants approved and disbursed in 2010 were:

Ronald McDonald House of Mid-Michigan	\$ 151,000
Ronald McDonald House of Western Michigan	85,000
Hackley Community Care Center	10,000
Kids Food Basket	10,000
Old Newsboys of Flint	7,638
Holy Cross Children's Services	7,578
Covenant Health Care	7,500
Specialized Language Development Ctr	6,250
Family Promise	6,000
Memorial Health Care Center	5,200
MUENDA	5,000
Surline Elementary & Middle School	4,436
Children's Advocacy Center	4,060
EUP Learning Center Inc	3,548
Lakeshore Ethnic Diversity Alliance	3,250
Comprehensive Therapy Center	3,124
Lincoln Development Center	3,000
Sierra Rose Farms Healing Hearts	3,000
Gerald R Ford Council BSA	2,500
Girl Scouts Heart of MI	2,500
Hands Extended Loving People	2,500
Heights of Hope	2,500
Hubbard Lake Lions Comm Found	2,500
Ionia County Intermediate School District	2,500
Townsend Elementary School	2,470
Disability Services Resource Center	1,000
Lazy B's Ranch Inc	750
	<hr/>
	<b>\$ 344,804</b>

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**GRANT EXPENSES (CONTINUED)**

Grants approved and disbursed in 2009 were:

Ronald McDonald House of Mid-Michigan	\$ 74,000
Ronald McDonald House of Western Michigan	74,000
Big Brothers Big Sisters of the Lakeshore	23,500
Crisis Center Inc	20,000
Community Foundation Holland/Zeeland Area	18,800
Eagle Village Inc.	18,615
Ministry & Community Center	15,000
VSA Arts of MI-Grand Rapids	15,000
Holland Hospital	10,208
Indian Trails Camp	10,160
Kids Food Basket	10,000
The Innocent Justice Foundation	7,651
Children's Assessment Center	7,122
Child & Family Services	4,490
Camp Fire USA West MI Council	3,750
Northwest Initiative	3,070
Saugatuck Center for the Arts Inc	2,700
Lakeshore Middle School	2,509
Food Bank of Eastern MI	2,500
Jackson County Community Foundation	1,000
Safe Haven Ministries	1,000
Kent/MSU Extension	500
	<u>\$ 325,575</u>

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**GENERAL AND ADMINISTRATIVE EXPENSES**

The following is a summary of general and administrative expenses:

	<u>For year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Depreciation	\$ 69,161	\$ 28,884
Awareness	16,366	16,881
Accounting	6,800	6,800
Office expenses	4,560	3,421
Insurance	3,752	3,184
Payroll taxes	3,068	2,639
Travel	1,529	3,560
Meals and entertainment	1,499	1,773
Telephone	1,181	1,235
Payroll processing	960	967
Bank charges	464	1,465
Miscellaneous	355	320
Web Site	153	137
Board education	--	5,716
	<u>\$ 109,848</u>	<u>\$ 76,982</u>

**TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted assets of \$535,065 at December 31, 2010 and \$583,794 at December 31, 2009 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 \$191,567 and \$148,368 for the years ended December 31, 2010 and 2009, 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.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**RELATED PARTY TRANSACTIONS (CONTINUED)**

The organization also has a loan payable to the national organization for the purchase of drive-thru canisters in the amount of \$260,936. This note is non-interest bearing and is due in full in December 2011. Imputed interest on this interest free note was immaterial at December 31, 2010.

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 \$236,000 and \$148,000 for the years ended December 31, 2010 and 2009, 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, 2009, from which the summarized information was derived.

**SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 5, 2011, which is the date the financial statements were available to be issued.