

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**LORI J LEMIEUX CPA PLC**

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

**FINANCIAL STATEMENTS**

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**DECEMBER 31, 2009 AND 2008**

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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, 2009 and 2008 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 2008 financial statements and, in my report dated May 12, 2009; 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, 2009 and 2008, 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  
April 28, 2010

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

<b><u>ASSETS</u></b>	December 31,	
	2009	2008
<b>CURRENT ASSETS:</b>		
Cash	\$ 246,357	\$ 145,446
Investments	121,592	61,152
<b>Total current assets</b>	367,949	206,598
<b>OTHER ASSETS:</b>		
Contributions Receivable	583,794	630,425
Equipment, net of accumulated depreciation of \$30,131 and \$1,247, respectively	317,725	--
<b>Total other assets</b>	901,519	630,425
<b>TOTAL ASSETS</b>	\$ 1,269,468	\$ 837,023
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued expenses:		
RMHC National quarterly contribution	\$ 36,241	\$ 21,039
Scholarships payable, net	10,000	--
Accrued wages	473	296
Accrued expenses	1,004	960
<b>Total current liabilities</b>	47,718	22,295
<b>LONG-TERM LIABILITIES:</b>		
Scholarships payable, net	20,000	--
Due to RMHC National	259,957	--
<b>Total long-term liabilities</b>	279,957	--
<b>Total liabilities</b>	327,675	22,295
<b>NET ASSETS:</b>		
Unrestricted	357,999	184,303
Temporarily restricted	583,794	630,425
<b>Total Net Assets</b>	941,793	814,728
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,269,468	\$ 837,023

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, 2009**  
**WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2008**

	Unrestricted	Temporarily Restricted	Total 2009	Total 2008
<b>REVENUES AND GAINS (LOSSES):</b>				
Public Support:				
Canister collections	\$ 464,323	\$ --	\$ 464,323	\$ 397,078
National promotions	207,724	--	207,724	183,079
Non-cash grant	86,652	--	86,652	--
Other contributions	64,839	--	64,839	122,810
Unused grants returned	4,260	--	4,260	1,333
Net assets released from restriction:				
Satisfaction of time restriction	46,631	(46,631)	--	--
<b>Total Public Support</b>	<u>874,429</u>	<u>(46,631)</u>	<u>827,798</u>	<u>704,300</u>
Gains (Losses):				
Net unrealized gain on investments	8,967	--	8,967	(16,741)
Investment income	1,477	--	1,477	4,363
<b>Total Gains (Losses)</b>	<u>10,444</u>	<u>--</u>	<u>10,444</u>	<u>(12,378)</u>
<b>Total Revenues and Gains (Losses)</b>	<u>884,873</u>	<u>(46,631)</u>	<u>838,242</u>	<u>691,922</u>
<b>EXPENSES:</b>				
Grant expenses	325,575	--	325,575	458,466
Scholarship expenses	43,784	--	43,784	--
RMHC national affiliation fee	148,368	--	148,368	119,815
Administrative wages	34,496	--	34,496	30,390
Employee benefits	--	--	--	1,097
General and administrative	76,982	--	76,982	35,699
Collection canisters	81,972	--	81,972	87,297
<b>Total Expenses</b>	<u>711,177</u>	<u>--</u>	<u>711,177</u>	<u>732,764</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>173,696</u>	<u>(46,631)</u>	<u>127,065</u>	<u>(40,842)</u>
<b>NET ASSETS, Beginning of year</b>	<u>184,303</u>	<u>630,425</u>	<u>814,728</u>	<u>855,570</u>
<b>NET ASSETS, End of year</b>	<u>\$ 357,999</u>	<u>\$ 583,794</u>	<u>\$ 941,793</u>	<u>\$ 814,728</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,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 127,065	\$ (40,842)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gains) losses on investments	(8,967)	16,741
Depreciation	28,884	95
Decrease (increase) in receivables	46,631	(45,065)
Increase (decrease) in accrued liabilities	15,423	(8,421)
	<b>209,036</b>	<b>(77,492)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(51,473)	(1,894)
Purchase of equipment	(346,609)	--
	<b>(398,082)</b>	<b>(1,894)</b>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Scholarship commitments, net	30,000	--
Long-term financing issued	259,957	--
	<b>289,957</b>	<b>--</b>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>INCREASE (DECREASE) IN CASH</b>	<b>100,911</b>	<b>(79,386)</b>
<b>CASH, Beginning of year</b>	<b>145,446</b>	<b>224,832</b>
<b>CASH, End of year</b>	<b>\$ 246,357</b>	<b>\$ 145,446</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, 2009 AND 2008**

**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**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 958-210. Under FASB ASC No. 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2009 and 2008.

**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, 2009 and 2008 of \$54,834 and \$3,779, respectively.

**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.

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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 \$583,794 at December 31, 2009 and \$630,425 at December 31, 2008 represent the net present value of the remaining payments to be received discounted at 4.5%.

**INCOME TAXES**

The Organization is exempt from federal income tax as a non-profit organization under Internal Revenue Code Section 501(c)(3). The Organization's federal Form 990 returns for the years 2008, 2007, and 2006 are subject to examination by the IRS, generally for three years after they are filed.

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**CASH**

Substantially all cash is on deposit with one financial institution. Balances up to a maximum of \$250,000 at the financial institution are covered by federal depository insurance. 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, 2009 that were uninsured or uncollateralized.

**INVESTMENTS**

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>

Following is a summary of investment securities as of December 31, 2008:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 15,905	\$ 31,095	\$ 15,190
Mutual Funds	39,196	26,278	(12,918)
Money Market	3,779	3,779	--
	<u>\$ 58,880</u>	<u>\$ 61,152</u>	<u>\$ 2,272</u>

The following summarizes the return on investments:

	<u>For year ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Investment income	\$ 1,477	\$ 4,363
Unrealized gain (loss) on investments	8,967	(16,741)
Net investment income (loss)	<u>\$ 10,444</u>	<u>\$ (12,378)</u>

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**GRANT EXPENSES**

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
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	<b>\$ 325,575</b>

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**GRANT EXPENSES (CONTINUED)**

Grants approved and disbursed in 2008 were:

Ottawa Area Center	\$ 47,404
Food Bank of Eastern MI	30,988
Haven House	30,549
Lakeshore Ethnic Diversity Alliance	24,705
Safe Haven Ministries	24,292
Kids Food Basket	24,275
Ronald McDonald House of Western Michigan	22,000
Big Brothers Big Sisters of the Lakeshore	20,000
Ronald McDonald House of Mid-Michigan	20,000
Sabaoth Ministries	18,268
Eagle Village Inc.	17,553
The Grand Rapids Student Adv Foun	16,250
Helen Devos Children's Hospital at Spec	15,875
Constance Brown Hearing Centers	15,000
Zeeland Christian Schools	15,000
Crim Fitness Foundation	12,500
St. Philips Episcopal Church	10,000
Center for Family Health	8,082
Northside Assoc for Comm Dev	7,500
Grand Rapids Wheelchair Sports Associatio	6,692
South Haven Area Youth Dev Corp	5,785
Belding Area Schools	5,073
Exceptional Horseback Riders of Saginaw	5,000
Boys & Girls Club of Bay County	4,950
Tall Pine Council, BSA	4,932
MSU-Agr & Apl Science 4H Horseman	4,689
Charlevoix Area Hospital Foundation	4,412
MSU-Kinship Care Resource Center	4,321
Muscular Dystrophy Association	4,260
Camp Blodgett	4,100
VSA Arts of MI-Grand Rapids	3,900
Safe Harbor Children's Advocacy Center	3,868
Allied EMS Systems Inc	3,833
Boys & Girls Club of GR	3,750
Sanilac County Kids' Connection	2,835
Lakeshore Middle School	2,825
Family Service & Child Aid of Jackson Cty	1,500
S.T.R.O.N.G.	1,500
	<u>\$ 458,466</u>

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**GENERAL AND ADMINISTRATIVE EXPENSES**

The following is a summary of general and administrative expenses:

	For year ended December 31,	
	2009	2008
Depreciation	\$ 28,884	\$ 95
Awareness	16,881	11,796
Accounting	6,800	6,750
Board education	5,716	--
Travel	3,560	2,022
Office expenses	3,421	2,847
Insurance	3,184	3,184
Payroll taxes	2,639	2,325
Meals and entertainment	1,773	1,354
Bank charges	1,465	2,480
Telephone	1,235	1,213
Payroll processing	967	1,001
Miscellaneous	320	370
Web Site	137	262
	<u>\$ 76,982</u>	<u>\$ 35,699</u>

**TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted assets of \$583,794 at December 31, 2009 and \$630,425 at December 31, 2008 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 \$148,368 and \$119,815 for the years ended December 31, 2009 and 2008, respectively. As part of this affiliation, the national organization will match contributions up to \$140,000 per year.

The organization also has a loan payable to the national organization for the purchase of drive-thru canisters in the amount of \$259,957. 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, 2009.

**RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**RELATED PARTY TRANSACTIONS (CONTINUED)**

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 \$148,000 and \$42,000 for the years ended December 31, 2009 and 2008, respectively.

**FAIR VALUE MEASUREMENTS**

The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. Assets measured at fair value on a recurring basis are as follows:

	<b><u>Fair Value</u></b> <b><u>12/31/09</u></b>	<b><u>Level 1</u></b> <b><u>Quoted Prices in</u></b> <b><u>Active Markets</u></b>
Investments	\$121,592	\$121,592

**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, 2008, from which the summarized information was derived.