

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

GRAND RAPIDS, MICHIGAN

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

LORI J LEMIEUX, CPA PLC

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9

INDEPENDENT AUDITOR'S REPORT

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, 2015 and 2014, and the related statements of activities, net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

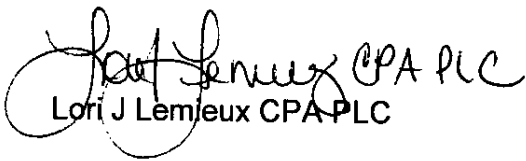
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, 2015 and 2014, 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.


Lori J Lemieux CPA PLC

Grand Rapids, Michigan
May 3, 2016

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 244,168	\$ 301,473
Contributions Receivable, Net	363,440	395,636
Investments	303,168	256,121
Property and Equipment, Net	492	1,171
Total Assets	\$ 911,268	\$ 954,401
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 33,570	\$ 32,478
Grants Payable	3,500	3,500
Scholarships Payable	57,000	51,000
Total Liabilities	94,070	86,978
NET ASSETS		
Unrestricted	453,758	471,787
Temporarily Restricted	363,440	395,636
Total Net Assets	817,198	867,423
Total Liabilities and Net Assets	\$ 911,268	\$ 954,401

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 907,338	\$ -	\$ 907,338
Other Income	2,138	-	2,138
Net Assets Released from Restrictions	<u>32,196</u>	<u>(32,196)</u>	<u>-</u>
Total Revenues and Other Support	<u>941,672</u>	<u>(32,196)</u>	<u>909,476</u>
EXPENSES			
Program Services	579,493	-	579,493
Supporting Services:			
Management and General Administration	86,463	-	86,463
Fundraising	139,104	-	139,104
Unallocated Payments to RMHC Global	<u>151,689</u>	<u>-</u>	<u>151,689</u>
Total Expenses	<u>956,749</u>	<u>-</u>	<u>956,749</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(15,077)	(32,196)	(47,273)
INVESTMENT INCOME, NET	<u>(2,952)</u>	<u>-</u>	<u>(2,952)</u>
CHANGE IN NET ASSETS	(18,029)	(32,196)	(50,225)
Net Assets - Beginning of Year	<u>471,787</u>	<u>395,636</u>	<u>867,423</u>
NET ASSETS - END OF YEAR	<u>\$ 453,758</u>	<u>\$ 363,440</u>	<u>\$ 817,198</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 840,536	\$ -	\$ 840,536
Other Income	3,087	-	3,087
Net Assets Released from Restrictions	<u>30,810</u>	<u>(30,810)</u>	<u>-</u>
Total Revenues and Other Support	<u>874,433</u>	<u>(30,810)</u>	<u>843,623</u>
EXPENSES			
Program Services	421,136	-	421,136
Supporting Services:			
Management and General Administration	118,132	-	118,132
Fundraising	102,398	-	102,398
Unallocated Payments to RMHC Global	<u>175,343</u>	<u>-</u>	<u>175,343</u>
Total Expenses	<u>817,009</u>	<u>-</u>	<u>817,009</u>
CHANGE IN NET ASSETS FROM OPERATIONS	57,424	(30,810)	26,614
INVESTMENT INCOME, NET	<u>3,266</u>	<u>-</u>	<u>3,266</u>
CHANGE IN NET ASSETS	60,690	(30,810)	29,880
Net Assets - Beginning of Year	<u>411,097</u>	<u>426,446</u>	<u>837,543</u>
NET ASSETS - END OF YEAR	<u>\$ 471,787</u>	<u>\$ 395,636</u>	<u>\$ 867,423</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services		Supporting Services		Total
	Other Program Services	Total	Management and General	Fundraising	
Salaries	-	-	\$ 40,910	\$ -	\$ 40,910
Payroll Taxes	-	-	3,130	-	3,130
Total Salaries and Related Expenses	-	-	44,040	-	44,040
Awareness	-	-	19,377	-	19,377
Bank Charges	-	-	1,844	-	1,844
Collection Canisters	-	-	-	139,104	139,104
Depreciation	-	-	679	-	679
Insurance	-	-	3,737	-	3,737
Grants	529,627	529,627	-	-	529,627
Office Supplies	-	-	1,404	-	1,404
Other Expenses	-	-	177	-	177
Payroll Processing	-	-	1,063	-	1,063
Professional Fees	-	-	7,540	-	7,540
Scholarships	49,866	49,866	-	-	49,866
Technology	-	-	103	-	103
Telephone	-	-	1,361	-	1,361
Travel, Meals, and Entertainment	-	-	5,138	-	5,138
	<u>\$ 579,493</u>	<u>\$ 579,493</u>	<u>\$ 86,463</u>	<u>\$ 139,104</u>	<u>805,060</u>
Unallocated Payments to RMHC Global					<u>151,689</u>
Total Expenses					<u>\$ 956,749</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services		Supporting Services		Total
	Other Program Services	Total	Management and General	Fundraising	
Salaries	\$ -	\$ -	\$ 40,810	\$ -	\$ 40,810
Payroll Taxes	-	-	3,122	-	3,122
Total Salaries and Related Expenses	-	-	43,932	-	43,932
Awareness	-	-	14,105	-	14,105
Bank Charges	-	-	1,351	-	1,351
Collection Canisters	-	-	-	102,398	102,398
Depreciation	-	-	40,720	-	40,720
Insurance	-	-	4,315	-	4,315
Grants	379,499	379,499	-	-	379,499
Office Supplies	-	-	1,302	-	1,302
Other Expenses	-	-	385	-	385
Payroll Processing	-	-	1,052	-	1,052
Professional Fees	-	-	7,390	-	7,390
Scholarships	41,637	41,637	-	-	41,637
Technology	-	-	453	-	453
Telephone	-	-	1,422	-	1,422
Travel, Meals, and Entertainment	-	-	1,705	-	1,705
	<u>\$ 421,136</u>	<u>\$ 421,136</u>	<u>\$ 118,132</u>	<u>\$ 102,398</u>	<u>\$ 641,666</u>
Unallocated Payments to RMHC Global					<u>175,343</u>
Total Expenses					<u>\$ 817,009</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (50,225)	\$ 29,880
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	679	40,720
Net Unrealized Losses (Gains) on Investments	15,941	5,392
(Increase) Decrease in Assets:		
Contributions Receivable	32,196	30,810
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	1,092	(14,492)
Scholarships Payable	6,000	(9,000)
Net Cash Provided (Used) by Operating Activities	5,683	83,310
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(62,988)	(125,762)
Proceeds from Sale of Investments	-	130,105
Purchases of Property and Equipment	-	(770)
Net Cash Provided (Used) by Investing Activities	(62,988)	3,573
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,305)	86,883
Cash and Cash Equivalents - Beginning of Year	301,473	214,590
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 244,168	\$ 301,473

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Outstate Michigan, Inc. (the Organization) is a Michigan nonprofit charitable corporation formed in 1996. The mission of Ronald McDonald House Charities is to create, find and support programs that directly improve the health and well-being of children. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

The Organization supports other select organizations engaged in activities that benefit children. The Organization does not contemplate pecuniary gain or profit to the members thereof. The Organization'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

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. 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. All other net assets, including board designated or appropriated amounts, are unrestricted and are reported as part of the unrestricted class.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses and income are included in the statements of activities.

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The Organization utilizes office space rent-free in the home of the executive director.

Donated Assets, Property and Equipment, and Services

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

In-kind donations include \$38,729 of collection costs paid by Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization. These expenses have been recorded as contribution income with a corresponding expense.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Unrestricted

Net assets that are not subject to donor-imposed restrictions or law.

Temporarily Restricted

Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Organization or the passage of time.

Permanently Restricted

Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for unrestricted purposes. The Organization has no permanently restricted net assets at December 31, 2015 and 2014.

Revenue Recognition

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Reclassifications

Certain amounts have been reclassified for the year ended December 31, 2014 to conform with the presentation for the year ended December 31, 2015.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of pledges and bequests as of the years ended December 31:

	2015	2014
Amounts due in:		
Less than One Year	\$ 50,000	\$ 50,000
One to Five Years	250,000	250,000
More than Five Years	150,000	200,000
Total	450,000	500,000
Unamortized Discount	(56,560)	(104,364)
Allowance for Uncollectible Pledges	-	-
Net Contributions Receivable	\$ 363,440	\$ 395,636

The discount rate used for the years ended December 31, 2015 and 2014 was 4.5%.

NOTE 3 FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets and liabilities measured on a recurring basis as of December 31, 2015 and 2014 are as follows:

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

	Cost	Fair Value	Fair Value Measurements at December 31, 2015 Using		
			Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 177,456	\$ 169,438	\$ 169,438	\$ -	\$ -
Bonds	123,910	123,357	123,357	-	-
Money Market	10,373	10,373	10,373	-	-
Total Investments	<u>\$ 311,739</u>	<u>\$ 303,168</u>	<u>\$ 303,168</u>	<u>\$ -</u>	<u>\$ -</u>

	Cost	Fair Value	Fair Value Measurements at December 31, 2014 Using		
			Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 143,391	\$ 150,302	\$ 150,302	\$ -	\$ -
Bonds	102,748	102,904	102,904	-	-
Money Market	2,915	2,915	2,915	-	-
Total Investments	<u>\$ 249,054</u>	<u>\$ 256,121</u>	<u>\$ 256,121</u>	<u>\$ -</u>	<u>\$ -</u>

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2015 and 2014 is as follows:

	2015	2014
Interest and Dividend Income	\$ 12,989	\$ 11,762
Realized and Unrealized Gains (Losses), Net	(15,941)	(8,496)
Investment Income, Net	<u>\$ (2,952)</u>	<u>\$ 3,266</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2015	2014
Donation collection canisters	\$ 347,915	\$ 347,915
Office Furniture and Equipment	770	770
Total, at Cost	348,685	348,685
Accumulated Depreciation	(348,193)	(347,514)
Total Property and Equipment	<u>\$ 492</u>	<u>\$ 1,171</u>

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5 SCHOLARSHIPS PAYABLE

Scholarships payable in future years as of December 31:

	2015	2014
Amounts due in:		
Less than One Year	\$ 27,000	\$ 26,000
One to Five Years	30,000	25,000
Net Grants Payable	\$ 57,000	\$ 51,000

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

Ronald McDonald House Charities (RMHC) is a system of independent, separately registered public benefit organizations, referred to as "Chapters" within the global organization. The Organization is an independent operating Chapter within the RMHC system. Each Chapter is licensed by McDonald's Corporation and Ronald McDonald House Charities, Inc. to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the License Agreement also sets standards of operations for programs, governance, finance, branding and reporting.

Ronald McDonald House Charities, Inc. (RMHC Global), a separately registered nonprofit organization, ensures delivery of the mission across the globe. As a center of excellence, RMHC Global builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. The Organization remits to RMHC Global 25% of its revenues from all national fundraising efforts facilitated by RMHC Global, as defined by the license agreement. During the years ended December 31, 2015 and 2014, the Organization paid \$151,689 and \$175,343, respectively, from these revenue streams.

NOTE 7 CONDITIONAL PROMISE TO GIVE

During 2015, the Organization granted \$400,000 over 41 months, beginning in February 2016, to the Ronald McDonald House of West Michigan for their Safe, Warm, and Dry Project. The funds will be available using Matching Funds, the Reichle Fund, and other available grant funding provided by the Organization. This grant was contingent on Matching Funds being available and final disclosure of each bid with 3 quotes. The conditions were modified in 2016 to allow 2 quotes due to lack of available contractors. The grant received final approval in 2016 and first payment was made in February 2016.

NOTE 8 SUBSEQUENT EVENTS

Management evaluated subsequent events through the date of the Independent Auditor's Report which is when the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.