

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

GRAND RAPIDS, MICHIGAN

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
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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, 2017 and 2016, 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, 2017 and 2016, 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 9, 2018

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 370,912	\$ 345,378
Contributions Receivable, Net (Note 2)	294,635	329,795
Canisters Support Receivable	80,978	61,251
Investments (Note 3)	327,542	295,063
Property and Equipment, Net (Note 4)	-	235
Total Assets	\$ 1,074,067	\$ 1,031,722
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 23,081	\$ 51,126
Grants Payable (Note 7)	100,000	100,000
Scholarships Payable (Note 5)	36,000	34,000
Total Current Liabilities	159,081	185,126
Long-Term Liabilities		
Grants Payable (Note 7)	100,000	200,000
Scholarships Payable (Note 5)	18,000	34,000
Total Long-Term Liabilities	118,000	234,000
Total Liabilities	277,081	419,126
NET ASSETS		
Unrestricted	497,763	282,801
Temporarily Restricted	299,223	329,795
Total Net Assets	796,986	612,596
Total Liabilities and Net Assets	\$ 1,074,067	\$ 1,031,722

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 923,485	\$ 7,500	\$ 930,985
Net Assets Released from Restrictions	<u>38,072</u>	<u>(38,072)</u>	<u>-</u>
Total Revenues and Other Support	<u>961,557</u>	<u>(30,572)</u>	<u>930,985</u>
EXPENSES			
Program Services	420,758	-	420,758
Supporting Services:			
Management and General Administration	68,680	-	68,680
Fundraising	98,588	-	98,588
Unallocated Payments to RMHC Global	<u>191,047</u>	<u>-</u>	<u>191,047</u>
Total Expenses	<u>779,073</u>	<u>-</u>	<u>779,073</u>
CHANGE IN NET ASSETS FROM OPERATIONS	182,484	(30,572)	151,912
INVESTMENT INCOME, NET	<u>32,478</u>	<u>-</u>	<u>32,478</u>
CHANGE IN NET ASSETS	214,962	(30,572)	184,390
Net Assets - Beginning of Year	<u>282,801</u>	<u>329,795</u>	<u>612,596</u>
NET ASSETS - END OF YEAR	<u>\$ 497,763</u>	<u>\$ 299,223</u>	<u>\$ 796,986</u>

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 901,490	\$ -	\$ 901,490
Other Income	9,752	-	9,752
Net Assets Released from Restrictions	33,645	(33,645)	-
Total Revenues and Other Support	<u>944,887</u>	<u>(33,645)</u>	<u>911,242</u>
EXPENSES			
Program Services	765,731	-	765,731
Supporting Services:			
Management and General Administration	73,486	-	73,486
Fundraising	118,932	-	118,932
Unallocated Payments to RMHC Global	170,590	-	170,590
Total Expenses	<u>1,128,739</u>	<u>-</u>	<u>1,128,739</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(183,852)	(33,645)	(217,497)
INVESTMENT INCOME, NET	<u>12,895</u>	<u>-</u>	<u>12,895</u>
CHANGE IN NET ASSETS	(170,957)	(33,645)	(204,602)
Net Assets - Beginning of Year	<u>453,758</u>	<u>363,440</u>	<u>817,198</u>
NET ASSETS - END OF YEAR	<u>\$ 282,801</u>	<u>\$ 329,795</u>	<u>\$ 612,596</u>

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Other Program Services</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ -	\$ -	\$ 40,110	\$ -	\$ 40,110
Payroll Taxes	-	-	3,068	-	3,068
Total Salaries and Related Expenses	-	-	43,178	-	43,178
Awareness	-	-	844	-	844
Bank Charges	-	-	2,416	-	2,416
Collection Canisters	-	-	-	98,588	98,588
Depreciation	-	-	235	-	235
Insurance	-	-	4,223	-	4,223
Grants	364,758	364,758	-	-	364,758
Office Supplies	-	-	955	-	955
Other Expenses	-	-	214	-	214
Payroll Processing	-	-	1,098	-	1,098
Professional Fees	-	-	7,420	-	7,420
Scholarships	56,000	56,000	-	-	56,000
Technology	-	-	2,369	-	2,369
Telephone	-	-	1,480	-	1,480
Travel, Meals, and Entertainment	-	-	4,248	-	4,248
	<u>\$ 420,758</u>	<u>\$ 420,758</u>	<u>\$ 68,680</u>	<u>\$ 98,588</u>	<u>588,026</u>
Unallocated Payments to RMHC Global					<u>191,047</u>
Total Expenses					<u>\$ 779,073</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services		Supporting Services		
	Other Program Services	Total	Management and General	Fundraising	Total
Salaries	\$ -	\$ -	\$ 40,110	\$ -	\$ 40,110
Payroll Taxes	-	-	3,186	-	3,186
Total Salaries and Related Expenses	-	-	43,296	-	43,296
Awareness	-	-	9,633	-	9,633
Bank Charges	-	-	2,327	-	2,327
Collection Canisters	-	-	-	118,932	118,932
Depreciation	-	-	257	-	257
Insurance	-	-	4,208	-	4,208
Grants	674,569	674,569	-	-	674,569
Office Supplies	-	-	1,340	-	1,340
Other Expenses	-	-	292	-	292
Payroll Processing	-	-	1,079	-	1,079
Professional Fees	-	-	7,900	-	7,900
Scholarships	91,162	91,162	-	-	91,162
Technology	-	-	153	-	153
Telephone	-	-	1,442	-	1,442
Travel, Meals, and Entertainment	-	-	1,559	-	1,559
	<u>\$ 765,731</u>	<u>\$ 765,731</u>	<u>\$ 73,486</u>	<u>\$ 118,932</u>	958,149
Unallocated Payments to RMHC Global					<u>170,590</u>
Total Expenses					<u>\$ 1,128,739</u>

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN INC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 184,390	\$ (204,602)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	235	257
Net Unrealized Losses (Gains) on Investments	(16,233)	(7,374)
(Increase) Decrease in Assets:		
Canister Support Receivable	(19,727)	(61,251)
Contributions Receivable	35,160	33,645
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(28,045)	17,556
Grants Payable	(100,000)	296,500
Scholarships Payable	(14,000)	11,000
Net Cash Provided (Used) by Operating Activities	41,780	85,731
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(16,246)	(5,521)
Proceeds from Sale of Investments	-	21,000
Purchases of Property and Equipment	-	-
Net Cash Provided (Used) by Investing Activities	(16,246)	15,479
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 25,534	 101,210
Cash and Cash Equivalents - Beginning of Year	345,378	244,168
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 370,912	\$ 345,378

See accompanying Notes to Financial Statements.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 AND 2016

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.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016.

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.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 CONTRIBUTIONS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than One Year	\$ 50,000	\$ 50,000
One to Five Years	250,000	250,000
More than Five Years	50,000	100,000
Total	<u>350,000</u>	<u>400,000</u>
Unamortized Discount	(55,365)	(70,205)
Allowance for Uncollectibles	-	-
Net Contributions Receivable	<u>\$ 294,635</u>	<u>\$ 329,795</u>

The discount rate used for the years ended December 31, 2017 and 2016 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, 2017 and 2016 are as follows:

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

	Cost	Fair Value	Fair Value Measurements at December 31, 2017 Using		
			Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 183,065	\$ 198,912	\$ 198,912	\$ -	\$ -
Bonds	119,524	118,410	118,410	-	-
Money Market	10,220	10,220	10,220	-	-
Total Investments	\$ 312,809	\$ 327,542	\$ 327,542	\$ -	\$ -

	Cost	Fair Value	Fair Value Measurements at December 31, 2016 Using		
			Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 168,877	\$ 167,916	\$ 167,916	\$ -	\$ -
Bonds	117,549	117,009	117,009	-	-
Money Market	10,138	10,138	10,138	-	-
Total Investments	\$ 296,564	\$ 295,063	\$ 295,063	\$ -	\$ -

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Interest and Dividend Income	\$ 12,158	\$ 7,548
Realized and Unrealized Gains (Losses), Net	20,320	5,347
Investment Income, Net	\$ 32,478	\$ 12,895

NOTE 4 PROPERTY AND EQUIPMENT

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

	2017	2016
Donation collection canisters	\$ 347,915	\$ 347,915
Office Furniture and Equipment	770	770
Total, at Cost	348,685	348,685
Accumulated Depreciation	(348,685)	(348,450)
Total Property and Equipment	\$ -	\$ 235

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 SCHOLARSHIPS PAYABLE

Scholarships payable in future years as of December 31:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than One Year	\$ 36,000	\$ 34,000
One to Five Years	18,000	34,000
Net Grants Payable	<u>\$ 54,000</u>	<u>\$ 68,000</u>

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, 2017 and 2016, the Organization paid \$191,047 and \$170,590, respectively, from these revenue streams.

NOTE 7 GRANT PAYABLE

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 of \$100,000 was made in February 2016 and the second payment of \$100,000 was made in February 2017.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 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.