

**Ronald McDonald House
Charities of Indiana-Michiana, Inc.**

Financial Report
12.31.2014

Contents

Independent Auditor's Report	1-2
<hr/>	
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-11



Independent Auditor's Report

To the Board of Directors
Ronald McDonald House Charities of Indiana-Michiana, Inc.
South Bend, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of **Ronald McDonald House Charities of Indiana-Michiana, Inc.** which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Ronald McDonald House Charities of Indiana-Michiana, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Ronald McDonald House Charities of Indiana-Michiana, Inc.** as of December 31, 2014 and 2013, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Elkhart, Indiana
July 1, 2015

Ronald McDonald House Charities of Indiana-Michiana, Inc.

Statements Of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 2,042,822	\$ 1,751,677
Accounts and pledges receivable	19,887	62,742
Investments	554,748	432,697
	<u>2,617,457</u>	<u>2,247,116</u>
Furniture and fixtures	41,404	39,455
Accumulated depreciation	(31,117)	(27,086)
Net furniture and fixtures	<u>10,287</u>	<u>12,369</u>
Total assets	<u>\$ 2,627,744</u>	<u>\$ 2,259,485</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 23,089	\$ 32,799
Accrued expenses	3,066	2,638
Total liabilities	<u>26,155</u>	<u>35,437</u>
Net Assets		
Unrestricted	<u>2,601,589</u>	<u>2,224,048</u>
Total liabilities and net assets	<u>\$ 2,627,744</u>	<u>\$ 2,259,485</u>

See Notes to Financial Statements.

Ronald McDonald House Charities of Indiana-Michiana, Inc.

Statements Of Activities
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted:		
Support and revenue:		
Canister contributions	\$ 101,026	\$ 99,488
Family room contributions	66,618	37,500
Fundraising events	557,454	648,428
Interest and dividends	13,980	5,264
Unrealized (loss) gain on investments	(11,595)	17,727
Total support and revenue	727,483	808,407
Expenses:		
Program services:		
Family room	88,732	108,235
Administrative services	88,198	74,563
Fundraising	173,012	150,146
Total expenses	349,942	332,944
Increase in unrestricted net assets	377,541	475,463
Net assets, beginning of year	2,224,048	1,748,585
Net assets, end of year	\$ 2,601,589	\$ 2,224,048

See Notes to Financial Statements.

Ronald McDonald House Charities of Indiana-Michiana, Inc.

**Statement Of Functional Expenses
Year Ended December 31, 2014**

	Family Room	Administrative Services	Fundraising	Total
Salaries and wages	\$ 53,401	\$ 22,915	\$ 28,685	\$ 105,001
Payroll taxes	4,069	1,746	2,185	8,000
Supplies	1,784	-	-	1,784
Depreciation	1,790	2,241	-	4,031
Insurance	7,630	-	-	7,630
Office supplies	6,096	4,941	-	11,037
Professional fees	-	36,861	-	36,861
Bank fees	-	2,155	-	2,155
Dues and subscriptions	3,805	-	-	3,805
Events	-	11,119	112,247	123,366
Canister services	-	-	11,690	11,690
Payments to RMHC National	-	-	18,205	18,205
Computer	5,958	-	-	5,958
Executive	983	-	-	983
Promotion	1,653	-	-	1,653
Travel	1,402	-	-	1,402
Miscellaneous	161	6,220	-	6,381
	<u>\$ 88,732</u>	<u>\$ 88,198</u>	<u>\$ 173,012</u>	<u>\$ 349,942</u>

See Notes to Financial Statements.

Ronald McDonald House Charities of Indiana-Michiana, Inc.

**Statement Of Functional Expenses
Year Ended December 31, 2013**

	Family Room	Administrative Services	Fundraising	Total
Salaries and wages	\$ 54,739	\$ 18,555	\$ 28,670	\$ 101,964
Payroll taxes	4,170	1,413	2,183	7,766
Supplies	3,518	-	-	3,518
Depreciation	1,881	682	-	2,563
Insurance	15,122	-	-	15,122
Office supplies	5,145	20,326	-	25,471
Professional fees	-	10,000	-	10,000
Bank fees	-	989	-	989
Dues and subscriptions	4,117	-	-	4,117
Events	-	17,505	63,769	81,274
Canister services	-	-	32,863	32,863
Payments to RMHC National	-	-	22,661	22,661
Computer	8,806	-	-	8,806
Executive	6,655	-	-	6,655
Promotion	900	-	-	900
Travel	1,868	-	-	1,868
Miscellaneous	1,314	5,093	-	6,407
	<u>\$ 108,235</u>	<u>\$ 74,563</u>	<u>\$ 150,146</u>	<u>\$ 332,944</u>

See Notes to Financial Statements.

Ronald McDonald House Charities of Indiana-Michiana, Inc.

Statements Of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 377,541	\$ 475,463
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,031	2,563
Unrealized loss (gain) on investments	11,595	(17,727)
Changes in certain assets and liabilities:		
Accounts and pledges receivable	42,855	(33,902)
Accounts payable	(9,710)	(9,224)
Accrued expenses	427	440
Net cash provided by operating activities	426,739	417,613
Cash Flows From Investing Activities		
Purchase of furniture and fixtures	(1,948)	(3,326)
Purchase of investments	(133,646)	(300,654)
Net cash used in investing activities	(135,594)	(303,980)
Increase in cash and cash equivalents	291,145	113,633
Cash and cash equivalents, beginning	1,751,677	1,638,044
Cash and cash equivalents, ending	\$ 2,042,822	\$ 1,751,677

See Notes to Financial Statements.

Notes To Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

Ronald McDonald House Charities of Indiana-Michiana, Inc. (the "Organization") is a nonprofit organization that operates a Ronald McDonald Family Room and makes grants. The Organization is located in South Bend, Indiana, and provides meals and temporary housing for parents and families of children receiving medical care at Memorial Hospital of South Bend, Inc. The Organization funds the operations of the family room through fees paid by users, fundraising activities and contributions. Grants are awarded to nonprofit organizations that help children reach their full potential in civic and social services, education and the arts, or health care and medical research.

Significant accounting policies:

The financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader.

Use of estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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.

Classification and reporting of net assets:

Accounting standards require the Organization 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. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which have not been appropriated by the Board of Directors.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

At December 31, 2014 and 2013, the Organization did not have any temporarily or permanently restricted net assets.

Ronald McDonald House Charities of Indiana-Michiana, Inc.

Notes To Financial Statements

Cash and cash equivalents:

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Organization has cash on deposit in a financial institution which, at times, may exceed the limits of coverage provided by the Federal Deposit Insurance Corporation. Management does not believe there is a risk of loss associated with cash and cash equivalents.

Accounts and pledges receivable:

Accounts and pledges receivable are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying past due accounts and by using a historical experience applied to an aging of accounts. Accounts are written off if deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was zero for the years ended December 31, 2014 and 2013. All pledges receivable are due within one year.

Furniture, fixtures and depreciation:

Significant items are capitalized as property and equipment and are recorded at their historical cost, or, if donated, at fair value on the date of donation and are depreciated using accelerated and straight-line methods over the estimated useful lives of the related assets, ranging from five to seven years.

Investments:

Investments in equity securities are carried at fair value determined by reference to the underlying assets. Investment income, including realized and unrealized gains and losses on investments and dividends and interest are reported under support and revenue in the statement of activities. Certificates of deposit are recorded at cost.

Functional allocation of expenses:

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

Revenue and support:

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

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. All 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. However, the Organization reports donor restricted support where the restriction is met within the same year as unrestricted support in the statement of activities.

Contributions are included in revenue in the period the gifts are pledged or received.

Ronald McDonald House Charities of Indiana-Michiana, Inc.

Notes To Financial Statements

Contributed goods and services:

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. Contributed services provided by volunteers, members of the Board of Directors and local organizations and businesses are not recorded in the financial statements.

Specialized services that would have been purchased, if not provided by the local businesses, are valued at fair value.

Subsequent events:

Ronald McDonald House Charities of Indiana-Michiana, Inc. has evaluated subsequent events for potential recognition and/or disclosure through July 1, 2015, the date the financial statements were available to be issued.

Note 2. Investments

Investments at fair value as of December 31, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Money Market	\$ 299,945	\$ 299,093
Core Bonds	14,810	14,710
Mid-Cap Growth	10,580	5,556
Large Cap Growth	25,185	15,917
Large Cap Value	25,540	16,148
Small Cap Value	11,529	5,981
Core International	32,894	15,158
Emerging Markets	5,435	1,916
Global Allocation	32,231	-
Commodities	14,126	-
Domestic common stocks	82,473	58,218
	<u>\$ 554,748</u>	<u>\$ 432,697</u>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

Investment return for the years ended December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividends*	\$ 13,980	\$ 5,264
Net unrealized (losses) gains	(11,595)	17,727
	<u>\$ 2,385</u>	<u>\$ 22,991</u>

* Includes interest income from cash and cash equivalents of \$3,002 and \$1,654 for the years ended December 31, 2014 and 2013 respectively.

Notes To Financial Statements

Note 3. Fair Value Disclosures

The Organization has adopted the provisions of the ASC Topic, *"Fair Value Measurements and Disclosures"*, which applies to all assets and liabilities that are being measured and reported at fair value. This Topic establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market based on inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to this Topic. Investments held by the Organization are all considered Level 1.

Note 4. Income Tax Status

The Organization qualifies as a public charity and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Contributions to the Organization are tax deductible by the donors to the extent allowable.

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2014, there were no unrecognized tax benefits identified or recorded as liabilities.

The Organization files Form 990 in the U.S. federal jurisdiction and the related exempt organization forms for the state of Indiana. With few exceptions, the Organization is no longer subject to examination by the governmental authorities for years before 2011.

Note 5. Ronald McDonald House Charities License Agreement

The Organization holds a license from McDonald's Corporation and Ronald McDonald House Charities to operate in the community. The license agreement requires the Organization to remit 25 percent of "Special RMHC Fundraising Contributions" to Ronald McDonald House Charities on a quarterly basis. In some cases, the fundraising amounts are collected by the global organization and the net amount is remitted to the Organization. In other cases, the Organization receives the gross proceeds and remits 25 percent to the global organization. Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

The Organization remitted \$18,205 and \$22,661 from canister collections in 2014 and 2013 respectively.