

FINANCIAL REPORT

**RONALD MCDONALD HOUSE CHARITIES®
OF INDIANA-MICHIANA, INC.**

December 31, 2017 and 2016

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7-13

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 2017 financial statements of Ronald McDonald House Charities® of Indiana-Michiana, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit 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.

Opinion

In our opinion, the 2017 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – 2016 Financial Statements

The accompanying 2016 financial statements of Ronald McDonald House Charities of Indiana-Michiana, Inc., were audited by other auditors, whose opinion dated October 31, 2017 expressed an unmodified opinion on those financial statements.

As part of our audit of the 2017 financial statements, we also audited the adjustments described in Note 2 to financial statements that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of Ronald McDonald House Charities® of Indiana-Michiana, Inc. other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

Cullen & Associates, P.C.

South Bend, Indiana
August 29, 2018

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 2,670,491	\$ 2,744,206
Other receivables	58,503	21,323
Promises to give	771,960	730,968
Investments	376,116	290,679
Facilities promise to give	5,241,224	5,400,736
Property and equipment	<u>2,339,474</u>	<u>2,114,132</u>
<i>Total assets</i>	<u>\$ 11,457,768</u>	<u>\$ 11,302,044</u>
 Liabilities and Net Assets:		
Accounts payable	\$ 17,685	\$ 477,958
Accrued liabilities	<u>7,730</u>	<u>8,880</u>
<i>Total liabilities</i>	<u>25,415</u>	<u>486,838</u>
 Net Assets:		
Unrestricted	5,419,169	4,702,838
Temporarily restricted	<u>6,013,184</u>	<u>6,112,368</u>
<i>Total net assets</i>	<u>11,432,353</u>	<u>10,815,206</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 11,457,768</u>	 <u>\$ 11,302,044</u>

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Support and Revenue:						
Canister contributions	\$ 115,559	\$ -	\$ 115,559	\$ 108,789	\$ -	\$ 108,789
Family House and Room contributions	30,522	-	30,522	21,997	-	21,997
Capital campaign contributions	-	664,714	664,714	-	2,261,331	2,261,331
Contributed facilities	163,037	-	163,037	167,839	-	167,839
Special events	748,646	-	748,646	550,559	-	550,559
Interest and dividends	22,996	-	22,996	11,532	-	11,532
Realized gains on investments	1,713	-	1,713	-	-	-
Unrealized gains on investments	67,544	-	67,544	8,889	-	8,889
Net assets released from restrictions	<u>763,898</u>	<u>(763,898)</u>	<u>-</u>	<u>1,803,872</u>	<u>(1,803,872)</u>	<u>-</u>
<i>Total support and revenue</i>	<u>1,913,915</u>	<u>(99,184)</u>	<u>1,814,731</u>	<u>2,673,477</u>	<u>457,459</u>	<u>3,130,936</u>
Expenses and Losses:						
House	639,142	-	639,142	421,532	-	421,532
Administrative	163,584	-	163,584	136,258	-	136,258
Fundraising	372,254	-	372,254	250,349	-	250,349
Loss on disposition of equipment	<u>22,604</u>	<u>-</u>	<u>22,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total expenses and losses</i>	<u>1,197,584</u>	<u>-</u>	<u>1,197,584</u>	<u>808,139</u>	<u>-</u>	<u>808,139</u>
Change in net assets	716,331	(99,184)	617,147	1,865,338	457,459	2,322,797
Net assets, beginning of year (as restated)	<u>4,702,838</u>	<u>6,112,368</u>	<u>10,815,206</u>	<u>2,837,500</u>	<u>5,654,909</u>	<u>8,492,409</u>
<i>Net assets, end of year</i>	<u>\$ 5,419,169</u>	<u>\$ 6,013,184</u>	<u>\$ 11,432,353</u>	<u>\$ 4,702,838</u>	<u>\$ 6,112,368</u>	<u>\$ 10,815,206</u>

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2017 and 2016

	2017				2016			
	<u>House</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	<u>House</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries and wages	\$ 58,224	\$ 96,447	\$ 83,605	\$ 238,276	\$ 66,237	\$ 58,625	\$ 86,869	\$ 211,731
Payroll taxes	4,758	7,882	6,832	19,472	5,844	5,108	7,662	18,614
Contracted services	61,257	-	-	61,257	-	-	-	-
Use of contributed facilities	310,825	7,795	3,929	322,549	310,825	7,795	3,929	322,549
House supplies	36,649	-	-	36,649	2,840	-	-	2,840
Insurance	17,862	-	-	17,862	12,079	-	-	12,079
Office supplies	6,800	7,638	-	14,438	7,269	5,258	-	12,527
Computer	12,504	-	-	12,504	5,321	-	-	5,321
Travel	4,301	-	-	4,301	1,111	-	-	1,111
Dues and subscriptions	1,677	-	-	1,677	5,149	-	-	5,149
Promotion	4,901	-	-	4,901	3,316	-	-	3,316
Professional fees	-	31,645	-	31,645	-	9,500	-	9,500
Bank fees	-	9,241	-	9,241	-	3,256	-	3,256
Special events	-	-	212,241	212,241	-	43,523	110,966	154,489
Capital campaign expense	-	-	21,687	21,687	-	-	-	-
Canister services	-	-	18,535	18,535	-	-	18,480	18,480
License fees to RMHC National	-	-	24,406	24,406	-	-	22,443	22,443
Depreciation	118,388	2,936	1,019	122,343	900	3,193	-	4,093
Other	996	-	-	996	641	-	-	641
<i>Totals</i>	<u>\$ 639,142</u>	<u>\$ 163,584</u>	<u>\$ 372,254</u>	<u>\$ 1,174,980</u>	<u>\$ 421,532</u>	<u>\$ 136,258</u>	<u>\$ 250,349</u>	<u>\$ 808,139</u>

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Change in Cash and Cash Equivalents:		
Change in net assets	\$ 617,147	\$ 2,322,797
Add (deduct) items not requiring (providing) cash:		
Contributions for capital projects	(664,714)	(2,261,331)
Contributions of property	-	(9,395)
Investment (gains)	(69,257)	(8,889)
Depreciation	122,343	4,093
Loss on disposition of equipment	22,604	-
Changes in certain assets and liabilities:		
Decrease in facilities promise to give	159,512	154,710
(Increase) decrease in other receivables	(37,180)	543
Increase (decrease) in accounts payable	(30,399)	24,264
Increase (decrease) in accrued liabilities	<u>(1,150)</u>	<u>2,056</u>
<i>Net cash provided by operating activities</i>	<u>118,906</u>	<u>228,848</u>
 Cash Flows from Investing Activities:		
Purchase of property and equipment	(800,163)	(1,639,710)
Proceeds from sales of investments	-	1,621
Purchase of investments	<u>(16,180)</u>	<u>(10,151)</u>
<i>Net cash (used in) investing activities</i>	<u>(816,343)</u>	<u>(1,648,240)</u>
 Cash Flows from Financing Activities:		
Contributions for capital projects received	<u>623,722</u>	<u>1,530,363</u>
 Net change in cash and cash equivalents	 (73,715)	 110,971
Cash and cash equivalents, beginning of year	<u>2,744,206</u>	<u>2,633,235</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 2,670,491</u>	<u>\$ 2,744,206</u>

The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Ronald McDonald House Charities® of Indiana-Michiana, Inc. (the “Organization”), an Indiana nonprofit corporation, operates a Ronald McDonald House, a facility connected to Beacon Children’s Hospital in South Bend Indiana that provides meals and temporary housing for parents and families of children receiving medical care at the hospital. The Organization’s operations are primarily supported by contributions from the public and special events.

Significant Accounting Policies:

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Significant estimates used in the accompanying financial statements include-

- The allowance for uncollectible promises to give, which is based on historical loss experience, known information about individual donors, and general economic conditions. It is reasonably possible that uncollectible promises will exceed the allowance.
- The value of contributed facilities, which is based on the market value of similar facilities.
- The allocations of certain costs among functions. Expenses that are directly identifiable with functions are charged to those functions. Expenses related to more than one function are allocated to functions based on estimates of employee time spent on functions, space used by function, and other factors driving costs.

Net asset classes:

The Organization reports its financial position and activities by the following classes of net assets:

- *Unrestricted net assets* are those currently available for use.
- *Temporarily restricted net assets* are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.
- *Permanently restricted net assets* are those received with permanent donor stipulations. Investment return on permanently restricted net assets that is available for distribution is recorded as unrestricted or temporarily restricted net assets, depending upon whether there are donor restrictions on investment return. Historically, the Organization has not received permanently restricted net assets.

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Cash and cash equivalents:

The Organization considers time deposits, certificates of deposit, and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments:

Investments are stated at fair value and realized and unrealized gains and losses are reported as such in the statements of activities. The specific identification method is used to determine the cost basis for realized gains and losses. Fair value is estimated using quoted market prices or other significant observable or unobservable inputs.

Promises to give:

Promises to give are stated at the outstanding principle balance, less a discount for promises expected to be collected in more than one year and an allowance for doubtful accounts.

The Organization provides an allowances for uncollectibles based upon the specific identification of promises where collection is no longer deemed probable and an allowance based upon the level of total promises. In determining the allowances, management evaluates the payment history and other known information for individual promises, historical losses, and current economic conditions. Individual accounts are charged-off against the allowance in the period that the receivable is deemed uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received. The Organization does not charge interest on its promises to give.

Gifts and grants:

The Organization reports gifts and grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 are reported in the statements of activities as net assets released from restrictions.

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. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as revenue until the conditions are substantially met. Amounts received on conditional promises before the conditions are substantially satisfied are reported as refundable grant advances in the statements of financial position.

Contributed materials, services, and facilities:

Contributed materials are recorded at estimated market value. Donated services are recognized at their estimated fair value if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been recognized in the accompanying financial statements for donated services because the criteria for

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

recognition were not met. However, the Organization receives a substantial amount of donated services from volunteers that have not been recognized because the criteria for recognition have not been met.

A local hospital donates the facilities for the Ronald McDonald House under a 25-year lease agreement that requires the Organization to pay \$1 per year from 2015 through 2040. The estimated fair value for use of the facilities for this period, net of imputed interest, was recorded as a temporarily restricted net asset in 2015, and the estimated fair value for the annual use of the facilities is recorded as an expense in the statement of functional expenses and the amortization of the discount of the promise is included in support and revenue in the statements of activities.

Property and equipment:

Property and equipment is stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation and less any required impairment allowance. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Leasehold improvements.....	27-½ years
Furniture and equipment	5-7 years

Management performs reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. When an impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Assets to be disposed of are recorded at the lower of net book value or fair market value, less costs to sell, at the date management commits to a plan of disposal.

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on unrelated businesses income. Consequently, the accompanying financial statements generally do not include any provision for income taxes. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

benefits at either December 31, 2017 or 2016, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2014.

Subsequent events:

The date through which events occurring subsequent to December 31, 2017 have been evaluated for possible adjustment to the financial statements or disclosure is August 29, 2018, the date on which the financial statements were available to be issued.

NOTE 2. CORRECTION OF PRIOR PERIOD ERROR

The December 31, 2016 financial statements have been restated to correct an error made in 2015 in not recording the value of donated facilities promised for a 25-year period. The effects of the corrections on December 31, 2016 financial statements are as follows:

- Increase both facilities promise to give and temporarily restricted net assets at December 31, 2016 by \$5,400,736.
- Increase support and revenue by \$167,839, increase Family House expenses by \$322,549, and decrease the change in temporarily restricted net assets by \$154,710, for the year ended December 31, 2016.

NOTE 3. PROMISES TO GIVE

Promises to give consist of unconditional promises to give to the Organization's Ronald McDonald House Capital Campaign for constructing, operating, and endowing the new facilities, which were completed in February 2017. The promises are due as follows at December 31, 2017 and 2016, as follows:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 274,822	\$ 238,500
Due in one to five years	<u>516,716</u>	<u>527,500</u>
	791,538	766,000
Less unamortized discount	<u>(19,578)</u>	<u>(35,032)</u>
<i>Net promises to give</i>	<u>\$ 771,960</u>	<u>\$ 730,968</u>

Promises due in more than one year are discounted at an effective rate of 1.99% at December 31, 2017 and 1.93% at December 31, 2016. No allowance for uncollectibles is considered necessary at either December 31, 2017 or 2016.

NOTE 4. INVESTMENTS

Investments consist of the following at December 31, 2017 and 2016, respectively:

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Fixed income mutual funds	\$ 15,359	\$ 15,177
Equity mutual funds	202,027	166,734
McDonald's Corporation common stock	<u>158,730</u>	<u>108,768</u>
<i>Total investments</i>	<u>\$ 376,116</u>	<u>\$ 290,679</u>

NOTE 5. FACILITIES PROMISE TO GIVE AND LEASE INFORMATION

The facilities promise to give consists of an unconditional promise made in 2015 by Memorial Hospital of South Bend to provide facilities, utilities, and related services for the Organization's Family House for \$1 per year through June 2040. The promise is due as follows:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 322,549	\$ 322,549
Due in one to five years	1,290,196	1,290,196
Due in more than five years	<u>5,644,618</u>	<u>5,967,167</u>
	7,257,363	7,579,912
Less unamortized discount at 3.06%	<u>(2,016,139)</u>	<u>(2,179,176)</u>
<i>Net facilities promise</i>	<u>\$ 5,241,224</u>	<u>\$ 5,400,736</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 2,454,934	\$ -
Furniture and equipment	<u>9,380</u>	<u>48,942</u>
	2,464,314	48,942
Less accumulated depreciation	<u>(124,840)</u>	<u>(39,686)</u>
	2,339,474	9,256
Construction in progress	<u>-</u>	<u>2,104,876</u>
<i>Net property and equipment</i>	<u>\$ 2,339,474</u>	<u>\$ 2,114,132</u>

NOTE 7. NET ASSETS INFORMATION

Temporarily restricted net assets at December 31, 2017 and 2016 are time restricted as follows:

	<u>2017</u>	<u>2016</u>
Promises to give	\$ 771,960	\$ 711,632
Facilities promise to give	<u>5,241,224</u>	<u>5,400,736</u>
<i>Total investments</i>	<u>\$ 6,013,184</u>	<u>\$ 6,112,368</u>

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

Net assets were released from restrictions for both 2017 and 2016 as the promises came due.

NOTE 8. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an entity's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such principles establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of assets measured on a recurring basis at December 31, 2017 and 2016, respectively, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>For 2017:</i>				
Investments	\$ <u>376,116</u>	\$ <u>376,116</u>	\$ <u>-</u>	\$ <u>-</u>
<i>For 2016:</i>				
Investments	\$ <u>290,679</u>	\$ <u>290,679</u>	\$ <u>-</u>	\$ <u>-</u>

Fair values for investments are determined by reference to quoted market prices.

NOTE 9. RONALD MCDONALD HOUSE CHARITIES LICENSE AGREEMENT

The Organization holds a license agreement from McDonald's Corporation and Ronald McDonald House Charities to operate in the community. The license agreement requires the Organization to remit 25% of "Special RMHC Fundraising Contributions" to Ronald McDonald House Charities on a quarterly basis. In some cases, the fund raising 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% to the global organization. Local contributions and proceeds from local fundraisers are not subject to these remittance requirements.

The Organization remitted \$24,406 and \$22,443 from such contributions for the years ended 2017 and 2016, respectively, which are included in fundraising expenses in the accompanying statements of activities and functional expenses.

RONALD MCDONALD HOUSE CHARITIES OF INDIANA-MICHIANA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 10. CONCENTRATIONS

The Organization's donors and activities are concentrated in the Northern Indiana and Southern Michigan area. Accordingly, its gifts and other sources of support and revenue may be affected by conditions in that area. In addition, for the years ended December 31, 2017 and 2016, approximately 26% and 12%, respectively, of total support and revenue were from the annual "McDazzle" special event.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and promises to give. The Organization has cash on deposit that, at times, may exceed the insurance limits of the Federal Deposit Insurance Corporation. At December 31, 2017, had cash on deposit with one financial institution that exceeded the insurance limit by approximately \$1,439,000. Promises to give are generally due from residents and entities located in the Northern Indiana and Southern Michigan area.

Financial instruments that represent a market risk consist of McDonald's Corporation common stock, which represented approximately 42% and 37% of total investments at December 31, 2017 and 2016, respectively.

NOTE 11. SUPPLEMENTAL CASH FLOWS INFORMATION

The Organization paid no interest and no income taxes in both 2017 and 2016. For the year ended December 31, 2016, \$429,874 of property and equipment purchases were financed by accounts payable.