

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

LORI J LEMIEUX, CPA PLC

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.

FINANCIAL STATEMENTS

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DECEMBER 31, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ronald McDonald House Charities of Outstate Michigan, Inc.
Grand Rapids, Michigan

I have audited the accompanying statements of financial position of Ronald McDonald House Charities of Outstate Michigan, Inc. as of December 31, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits. The prior year summarized comparative information is derived from the Organization's 2007 financial statements and, in my report dated May 14, 2008; I expressed an unqualified opinion on them.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Ronald McDonald House Charities of Outstate Michigan, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lori J Lemieux, CPA PLC

Grand Rapids, Michigan
May 12, 2009

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

<u>ASSETS</u>	December 31,	
	2008	2007
CURRENT ASSETS:		
Cash	\$ 145,446	\$ 224,832
Investments	61,152	75,999
Total current assets	206,598	300,831
OTHER ASSETS:		
Contributions Receivable	630,425	585,360
Office Equipment, net of accumulated depreciation of \$1,247 and \$1,152, respectively	--	95
Total other assets	630,425	585,455
TOTAL ASSETS	\$ 837,023	\$ 886,286
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable and Accrued expenses:		
RMHC National quarterly contribution	\$ 21,039	\$ 21,949
Challenge grant payable	--	6,000
Accrued wages	296	1,304
Accrued expenses	960	960
Other accounts payable	--	503
Total current liabilities	22,295	30,716
NET ASSETS:		
Unrestricted	184,303	270,210
Temporarily restricted	630,425	585,360
Total Net Assets	814,728	855,570
TOTAL LIABILITIES AND NET ASSETS	\$ 837,023	\$ 886,286

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

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total 2008	Total 2007
REVENUES AND GAINS (LOSSES):				
Public Support:				
Canister collections	\$ 397,078	\$ --	\$ 397,078	\$ 339,013
National promotions	183,079	--	183,079	177,124
Other contributions	29,086	93,724	122,810	55,158
Unused grants returned	1,333	--	1,333	23,163
Net assets released from restriction:				
Satisfaction of time restriction	48,659	(48,659)	--	--
Total Public Support	659,235	45,065	704,300	594,458
Gains (Losses):				
Net unrealized gain on investments	(16,741)	--	(16,741)	8,330
Investment income	4,363	--	4,363	9,482
Net realized gain on investments	--	--	--	363
Total Gains (Losses)	(12,378)	--	(12,378)	18,175
Total Revenues and Gains (Losses)	646,857	45,065	691,922	612,633
EXPENSES:				
Grant Expenses	458,466	--	458,466	341,123
RMHC national affiliation fee	119,815	--	119,815	117,136
Administrative wages	30,390	--	30,390	28,391
Employee benefits	1,097	--	1,097	1,466
General and administrative	35,699	--	35,699	29,271
Collection canisters	87,297	--	87,297	57,108
Total Expenses	732,764	--	732,764	574,495
INCREASE (DECREASE) IN NET ASSETS	(85,907)	45,065	(40,842)	38,138
NET ASSETS, Beginning of year	270,210	585,360	855,570	817,432
NET ASSETS, End of year	\$ 184,303	\$ 630,425	\$ 814,728	\$ 855,570

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

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
STATEMENTS OF CASH FLOWS

	For the year ending December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (40,842)	\$ 38,138
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gains) losses on investments	16,741	(8,693)
Depreciation	95	108
Decrease (increase) in receivables	(45,065)	22,640
Increase (decrease) in accrued liabilities	(8,421)	9,649
	<u>(77,492)</u>	<u>61,842</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,894)	(5,548)
Proceeds from sale of investments	--	2,521
	<u>(1,894)</u>	<u>(3,027)</u>
NET CASH USED BY INVESTING ACTIVITIES		
INCREASE (DECREASE) IN CASH	(79,386)	58,815
CASH, Beginning of year	<u>224,832</u>	<u>166,017</u>
CASH, End of year	<u>\$ 145,446</u>	<u>\$ 224,832</u>

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

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Ronald McDonald House Charities of Outstate Michigan, Inc. (RMHC) is a not-for-profit corporation under the laws of the state of Michigan. The organization supports other select organizations engaged in activities that benefit children. The corporation does not contemplate pecuniary gain or profit to the members thereof. The Charity's primary source of income comes from the National Ronald McDonald House fundraisers and from participating McDonald's restaurants throughout the state of Michigan.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2008 and 2007.

CASH AND CASH EQUIVALENTS

The statement of cash flows is designed to show the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to cash and are so near maturity that fluctuations in interest rates lead to insignificant risk of change in investment value. The Organization held no cash equivalents at December 31, 2008 and 2007.

INVESTMENTS

In accordance with SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments are reported in the statements of financial position at market value with any realized or unrealized gains and losses reported in the statement of activity. Investment income is recognized as changes in net assets in the accounting period in which they occur.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Depreciation is computed using the straight-line method, based on estimated useful lives of the assets. The Organization utilizes office space rent-free in the home of the executive director.

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

In 2005, the Organization received \$50,000 from a Trust Fund and notice that 19 future payments of the same amount would be sent to the Organization annually on or around December 1 of each year. In 2008, the Organization received \$25,000 from a donor and notice that 3 future payments of the same amount would be sent to the Organization annually on or around October 1 of each year.

Contributions receivable of \$630,425 at December 31, 2008 and \$585,360 at December 31, 2007 represent the net present value of the remaining payments to be received discounted at 4.5%.

INCOME TAXES

The Organization is exempt from federal income tax as a non-profit organization under Internal Revenue Code Section 501(c)(3). The Organization's federal Form 990 returns for the years 2007, 2006, and 2005 are subject to examination by the IRS, generally for three years after they are filed.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COLLECTIONS CANISTERS

Collection canisters are charged to expense as purchased. Although the potential useful life of the canisters exceeds one year, the national organization has directed its affiliates to adopt the consistent policy of expensing the canisters in the year of acquisition.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

CASH

Substantially all cash is on deposit with one financial institution. Balances up to a maximum of \$250,000 at the financial institution are covered by federal depository insurance. During the course of the year, the Organization may have on hand amounts in excess of the FDIC insured limit. There were no balances as of December 31, 2008 that were uninsured or uncollateralized.

INVESTMENTS

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

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

Following is a summary of investment securities as of December 31, 2007:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 15,905	\$ 29,455	\$ 13,550
Mutual Funds	38,190	43,653	5,463
Money Market	2,891	2,891	--
	<u>\$ 56,986</u>	<u>\$ 75,999</u>	<u>\$ 19,013</u>

The following summarizes the return on investments:

	<u>For year ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Investment income	\$ 4,363	\$ 9,482
Realized gain on investments	--	563
Unrealized gain (loss) on investments	(16,741)	8,130
Net investment income (loss)	<u>\$ (12,378)</u>	<u>\$ 18,175</u>

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

GRANT EXPENSES

Grants approved and disbursed in 2008 were:

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

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

GRANT EXPENSES (CONTINUED)

Grants approved and disbursed in 2007 were:

Ronald McDonald House of Mid-Michigan	\$ 57,500
Ronald McDonald House of Western Michigan	50,000
Eagle Village Inc.	18,787
St. John's Home	18,582
Holland Hospital	16,594
Ministry & Community Center	14,261
Sabaoth Ministries	13,355
Boysville/Holy Cross Children's Svcs	12,500
Big Brothers Big Sisters, Jackson	11,100
Life Services Systems	11,000
Corpus Christy Catholic Schools	10,959
Children's Assessment Center	10,000
American Diabetes Association	10,000
Conductive Learning Center	8,200
Bangor Lincoln Elementary	7,500
Mercy General Health Partners	7,014
Muscular Dystrophy Association	7,000
Lansing School District	6,852
Child & Family Services	6,400
Wavecrest Career Academy	6,000
Cherry Street Health Services	5,000
Hemlock Public Schools	5,000
El Centro of Bethany Christian Svcs	4,450
Children's Advocacy Center	4,295
Meadowview School	4,074
Resource Center	3,750
Haven House	2,500
Marlette Regional Hospital	1,850
Haven House	1,750
Center for Family Health	1,500
White Lake Performing Arts Center	1,350
Kent/MSU Extension	1,000
Sabaoth Ministries	1,000
	<u>\$ 341,123</u>

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

GENERAL AND ADMINISTRATIVE EXPENSES

The following is a summary of general and administrative expenses:

	For year ended December 31,	
	2008	2007
Awareness	\$ 11,796	\$ 5,000
Accounting	6,750	6,600
Insurance	3,184	3,184
Office expenses	2,847	2,509
Bank charges	2,480	2,893
Payroll taxes	2,325	2,172
Travel	2,022	1,620
Meals and entertainment	1,354	2,043
Telephone	1,213	1,153
Payroll processing	1,001	938
Other	370	881
Website	262	170
Depreciation	95	108
	<u>\$ 35,699</u>	<u>\$ 29,271</u>

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets of \$630,425 at December 31, 2008 and \$585,360 at December 31, 2007 represent the net present value of the future payments to be received. See note entitled "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" for additional information.

RELATED PARTY TRANSACTIONS

Ronald McDonald House Charities of Outstate Michigan, Inc. is affiliated with the national organization of Ronald McDonald House Charities (RMHC). The affiliation agreement specifies that 25% of certain fundraising activities be paid to the national organization. Fundraising events specifically for Ronald McDonald House are exempted from this requirement. Amounts paid to the national organization were \$119,815 and \$117,136 for the years ended December 31, 2008 and 2007, respectively. As part of this affiliation, the national organization will match contributions up to \$140,000 per year.

RONALD MCDONALD HOUSE CHARITIES OF OUTSTATE MICHIGAN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

RELATED PARTY TRANSACTIONS (CONTINUED)

Ronald McDonald House Charities of Outstate Michigan, Inc. is also affiliated with Ronald McDonald Houses located in Michigan. Amounts granted to those Ronald McDonald Houses were \$42,000 and \$107,500 for the years ended December 31, 2008 and 2007, respectively.

Ronald McDonald House Charities of Outstate Michigan, Inc. purchases canisters from a company who has a representative on the board of directors. Amounts paid to that company for canisters amounted to \$0 and \$3,961 for the years ended December 31, 2008 and 2007, respectively.

COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.