

**RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.**

**AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2015 and 2014

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Smith Barta & Company

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
Ronald McDonald House Charities of Northeastern Ohio, Inc.

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northeastern Ohio, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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 organization'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 organization'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 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Northeastern Ohio, Inc. as of December 31, 2015, 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.

Prior Period Financial Statements

The financial statements of Ronald McDonald House Charities of Northeastern Ohio, Inc. as of December 31, 2014, were audited by other auditors whose report dated May 11, 2015, expressed an unmodified opinion on those statements.

Smith, Barta & Company
Certified Public Accountants

May 11, 2016
Canton, Ohio

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 544,344	\$ 564,311
Accounts Receivable - NOTE B	57,285	54,645
Prepaid Expenses	1,909	659
Other Assets	1,146	700
Investments - at Fair Value - NOTE C	346,467	320,540
Property and Equipment, Net - NOTE D	<u>82,409</u>	<u>67,228</u>
Total Assets	<u>\$ 1,033,560</u>	<u>\$ 1,008,083</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 39,748	\$ 39,974
Grants Payable	24,285	16,660
Total Liabilities	<u>64,033</u>	<u>56,634</u>

NET ASSETS

Unrestricted	<u>969,527</u>	<u>951,449</u>
Total Net Assets	969,527	951,449

Total Liabilities and Net Assets	<u>\$ 1,033,560</u>	<u>\$ 1,008,083</u>
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The accompanying notes are an integral part of these financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
REVENUES AND OTHER SUPPORT		
Contributions	\$ 253,114	\$ 312,859
Special Events Revenue	483,199	404,129
Less Direct Benefit Cost	<u>110,367</u>	<u>68,169</u>
Net Revenue from Special Events	372,832	335,960
Other Income - NOTE E	46,627	1,864
Grants	117,500	-
Scholarships	29,250	-
In-Kind Donations - NOTE A	<u>5,000</u>	<u>5,000</u>
Total Revenues and Other Support	<u>824,323</u>	<u>655,683</u>
EXPENSES		
Program Services	687,404	534,684
Supporting Services:		
Management and General Administration	52,406	43,419
Fundraising	14,574	13,724
Unallocated Payments to RMHC, Inc.	<u>81,862</u>	<u>82,890</u>
Total Expenses	<u>836,246</u>	<u>674,717</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(11,923)	(19,034)
INVESTMENT INCOME, NET - NOTE C	<u>30,001</u>	<u>(10,727)</u>
CHANGE IN NET ASSETS	18,078	(29,761)
Net Assets - Beginning of Year	<u>951,449</u>	<u>981,210</u>
NET ASSETS - END OF YEAR	<u>\$ 969,527</u>	<u>\$ 951,449</u>

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

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	Program Services			Other Program Services	Total
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile		
Salaries	\$ -	\$ -	\$ -	\$ 51,290	\$ 51,290
Employee Health Benefits	-	-	-	12,534	12,534
Payroll Taxes	-	-	-	3,923	3,923
Total Salaries and Related Expenses	-	-	-	67,747	67,747
Depreciation	-	-	-	19,223	19,223
Grants	183,000	40,000	75,000	202,564	500,564
In-Kind Expense	-	-	-	3,250	3,250
Insurance	-	-	-	409	409
Meetings, Training, and Seminars	-	-	-	612	612
Office Supplies	-	-	-	1,792	1,792
Other Expenses	-	-	-	933	933
Postage	-	-	-	287	287
Printing and Publishing	-	-	-	239	239
Professional Fees	-	-	-	8,015	8,015
Public Relations	-	-	-	1,158	1,158
Rent	-	-	-	5,266	5,266
Scholarship	-	-	-	69,000	69,000
Technology	-	-	-	519	519
Telephone	-	-	-	1,691	1,691
Travel, Meals, and Entertainment	-	-	-	6,699	6,699
	<u>\$ 183,000</u>	<u>\$ 40,000</u>	<u>\$ 75,000</u>	<u>\$ 389,404</u>	<u>\$ 687,404</u>

Unallocated Payments to
RMHC, Inc.

Total Expenses

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

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 19,727	\$ 7,891	\$ 78,908
4,821	1,928	19,283
1,509	604	6,036
26,057	10,423	104,227
8,872	1,479	29,574
-	-	500,564
1,500	250	5,000
189	31	629
283	47	942
827	138	2,757
431	72	1,436
132	22	441
45	15	299
3,699	617	12,331
136	68	1,362
2,430	405	8,101
5,948	-	74,948
239	40	798
781	130	2,602
837	837	8,373
<u>\$ 52,406</u>	<u>\$ 14,574</u>	754,384
		<u>81,862</u>
		<u>\$ 836,246</u>

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services				Total
	Ronald McDonald House	Ronald McDonald Family Room	Ronald McDonald Care Mobile	Other Program Services	
Salaries	\$ -	\$ -	\$ -	\$ 49,600	\$ 49,600
Employee Health Benefits	-	-	-	10,587	10,587
Payroll Taxes	-	-	-	3,830	3,830
Total Salaries and Related Expenses	-	-	-	64,017	64,017
Depreciation	-	-	-	17,995	17,995
Grants	144,200	40,000	67,624	172,369	424,193
In-Kind Expense	-	-	-	3,250	3,250
Insurance	-	-	-	392	392
Meetings, Training, and Seminars	-	-	-	608	608
Office Supplies	-	-	-	786	786
Other Expenses	-	-	-	227	227
Postage	-	-	-	278	278
Printing and Publishing	-	-	-	380	380
Professional Fees	-	-	-	7,931	7,931
Public Relations	-	-	-	806	806
Rent	-	-	-	5,440	5,440
Telephone	-	-	-	1,630	1,630
Travel, Meals, and Entertainment	-	-	-	6,751	6,751
	<u>\$ 144,200</u>	<u>\$ 40,000</u>	<u>\$ 67,624</u>	<u>\$ 282,860</u>	<u>\$ 534,684</u>

Unallocated Payments to
RMHC, Inc.

Total Expenses

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

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 19,077	\$ 7,631	\$ 76,308
4,072	1,629	16,288
1,474	587	5,891
24,623	9,847	98,487
8,306	1,384	27,685
-	-	424,193
1,500	250	5,000
181	30	603
281	47	936
363	60	1,209
105	17	349
128	21	427
71	24	475
3,660	610	12,201
95	47	948
2,510	418	8,368
752	125	2,507
844	844	8,439
<u>\$ 43,419</u>	<u>\$ 13,724</u>	591,827
		<u>82,890</u>
		<u>\$ 674,717</u>

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 18,078	\$ (29,761)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	29,574	27,685
Net Realized and Unrealized (Gain) Loss on Investments	(30,001)	10,812
Equipment Contribution, RMHC Inc.	(44,755)	(1,864)
(Increase) Decrease in Assets:		
Accounts Receivable	(2,640)	(5,144)
Prepaid Expenses	(1,250)	(13)
Other Assets	(446)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(226)	5,330
Grants Payable	7,625	-
	(24,041)	7,045
Net Cash Provided (Used) by Operating Activities		
	(24,041)	7,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Redemptions of Investments	4,074	187,327
Purchases of Property and Equipment	-	(4,044)
	4,074	183,283
Net Cash Provided by Investing Activities		
	4,074	183,283
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,967)	190,328
Cash and Cash Equivalents - Beginning of Year	564,311	373,983
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 544,344	\$ 564,311
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Contributions of Furniture and Fixtures	\$ 44,755	\$ -

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

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Ronald McDonald House Charities of Northeastern, Ohio Inc., (the Organization) an Ohio non-profit corporation helps children by supporting the Ronald McDonald Houses of Akron and Cleveland, and by awarding grants to qualified non-profit organizations whose programs directly improve the health and well-being of children.

Bylaws of the Organization allow for solicitation of contributions from the general public. The Organization contributes to tax-exempt organizations which, in the opinion of the board of directors, are the most appropriate recipients, considering the Organization's primary goal of helping children reach their fullest potential, by making grants in the areas of health care, medical research, civic and social services, education and the arts. The bylaws also allow for grants to existing tax-exempt Ronald McDonald Houses. The Ronald McDonald Houses enable families whose children are receiving treatments at area medical centers to cope with their crisis.

BASIS OF ACCOUNTING

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. Contributions from Ronald McDonald House Charities, Inc. (RMHC, Inc.) are recognized on a cash basis and do not include fourth quarter 2015 amounts of \$9,825 as RMHC, Inc. has the right to change allocations and amounts paid to each chapter as well as verify matching requirements.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. Included in cash and cash equivalents is \$365,979 of non-Federal Deposit Insurance Corporation (FDIC) insured money market funds held at Charles Schwab.

INVESTMENT SECURITIES

As required by the Accounting for Certain Investments Held by Not-for-Profit Organizations topic of the FASB ASC, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the related assets.

Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Donations of equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN, OHIO INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

INCOME TAX STATUS

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for Federal income taxes in the accompanying financial statements.

UNCERTAIN TAX POSITIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization determines whether any tax positions meet their recognition threshold and measures the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization would be recorded in operating expenses. No interest or penalties from Federal or state tax authorities were recorded in the accompanying financial statements.

CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and short-term investments. The Organization places these items with financial institutions it deems to be high quality and creditworthy.

The Organization maintains accounts in certain financial institutions, which are insured by the FDIC up to \$250,000. For the year ending December 31, 2015, the Organization's accounts were fully insured.

FINANCIAL STATEMENT PRESENTATION

As required by the Financial Statements of Not-for-Profit Organizations topic of the FASB ASC, 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. In addition, the Organization is required to present a statement of cash flows.

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, which increases those net asset classes. When a temporary 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.

DONATED SERVICES, MATERIALS

A substantial number of the Organization's volunteers have donated significant amounts of their time to the Organization's program services. Amounts have been recognized in the accompanying statements of activities only if they meet the criteria for recognition of such volunteer effort under the Accounting for Contributions Received and Contributions Made topic of the FASB ASC. For the year ending December 31, 2015, in-kind services totaling \$5,000 are reflected in the statement of activities and statement of functional expenses.

FUNCTIONAL EXPENSES

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

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN, OHIO INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ADVERTISING

The Organization participates in various advertising and marketing programs. All costs related to marketing and advertising the Organization's services are expensed in the period incurred. Advertising costs charged to operations were \$1,362 and in 2015.

RECLASSIFICATION

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2016, which is the date the financial statements were available to be issued.

NOTE B - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2015:

Donation box collections in transit	<u>\$ 57,285</u>
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NOTE C - INVESTMENT SECURITIES

Investments in securities are stated at fair value and consist of the following:

	December 31, 2015		
	Cost	Fair Value	Unrealized Gain/(Loss)
Mutual funds - bonds	\$ 43,890	\$ 43,495	\$ (395)
Mutual funds - equities	153,061	158,435	5,374
Mutual funds - commodities	10,316	8,558	(1,758)
Common stock (1,151 shares of McDonald's Corporation Stock)	31,329	135,979	104,650
	<u>\$ 238,596</u>	<u>\$ 346,467</u>	<u>\$ 107,871</u>

The following schedule summarizes the investment income activity and its classification on the statement of activities for the year ended December 31, 2015:

	Unrestricted
Interest and dividends	\$ 6,512
Realized gain on investments	6,551
Unrealized gain on investments	17,034
	<u>30,097</u>
Less investment fees	96
Net investment income	<u>\$ 30,001</u>

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN, OHIO INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE D - PROPERTY AND EQUIPMENT

Components of property and equipment at December 31, 2015, are as follows:

Office equipment	\$ 2,340
Furniture and fixtures	245,129
Computer software	180
	247,649
Less accumulated depreciation	165,240
Net property and equipment	\$ 82,409

Depreciation expense for the year was \$29,574.

NOTE E - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2015, the Organization paid 25% of its national fundraising revenue to RMHC, Inc. through a licensing agreement. Total revenue sharing expense was \$81,862, which is reflected in the statement of functional expenses. This amount also includes a payable of \$34,333 at year end.

The Organization received contributions from RMHC, Inc. of \$211,015 during 2015, that were either allocated or specifically designated to the Northeastern Ohio Chapter. The Organization records such revenue on a cash basis, typically one quarter in arrears, as the final amounts and allocations to be paid to each chapter are not determined by RMHC, Inc. until the following quarter or after matching requirements have been satisfied. For the year ending December 31, 2015, revenue includes \$8,836 from fourth quarter 2014.

The Organization also participates in the national program offered by RMHC, Inc. which provided donation box equipment of \$46,627 in 2015. The donation box program is the principal source of fundraising for the Organization.

In connection with an affiliation agreement with the Akron and Cleveland Ronald McDonald Houses, the Organization provides minimum grants to each organization of \$40,000 annually. Amounts paid to each Ronald McDonald House in 2015, were as follows:

	RMH - Akron	RMH-Cleveland
Grants	\$ 80,000	\$ 80,000
Ronald McDonald Family Room	-	40,000
Events and sponsorships	13,000	10,000
	\$ 93,000	\$ 130,000

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN, OHIO INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE F - COMMITMENTS AND CONTINGENT LIABILITIES

LEASES

The Organization leases office space in Independence, Ohio under a non-cancelable operating lease expiring in February 2019. The monthly rent is \$659, plus additional common area expenses.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31:

2016	\$	7,908
2017		7,908
2018		7,908
2019		1,318
	\$	<u>25,042</u>

Rent expense for leased facilities was \$8,101 for the year ended December 31, 2015.

NOTE G - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles in the United States (U.S. GAAP) define fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date, measured in the principal market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the organization making the measurement.

U.S. GAAP specifies a hierarchy of inputs to valuation techniques, which categorizes inputs to fair value measurements that reflect assumptions other market participants would use, based upon market data obtained for independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs: Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.

Level 2 Inputs: Inputs other than the quoted prices in active markets that are observable either directly or indirectly for similar assets and liabilities.

Level 3 Inputs: Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurement.

U.S. GAAP requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be reflective of future values. Furthermore, the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RONALD MCDONALD HOUSE CHARITIES OF NORTHEASTERN, OHIO INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G - FAIR VALUE MEASUREMENTS - (Continued)

The following table shows the Organization's investments within the fair value hierarchy at December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money market funds	\$ 365,980	\$ -	\$ -
Total cash and money market funds	<u>\$ 365,980</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds - bonds	\$ 43,495	\$ -	\$ -
Mutual funds - equities	158,435	-	-
Mutual funds - commodities	8,558	-	-
Common stock - McDonald's Corporation	135,979	-	-
Total investments	<u>\$ 346,467</u>	<u>\$ -</u>	<u>\$ -</u>