

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010



THE CIULLA GROUP, LLC

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Ronald McDonald House Charities of Northeastern Ohio, Inc. (RMHC - NEO, Inc.) (an Ohio non-profit organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit 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. We believe that our audit provides a reasonable basis for our opinion.

Totals on the statement of financial position, the statement of activities, the statement of functional expenses, and the statement of cash flows for 2009 are shown for comparison purposes only.

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, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The Ciulla Group, LLC

Cleveland, Ohio
May 18, 2011

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

	<u>2010</u> <u>Totals</u>	<u>2009</u> <u>Totals</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$274,159	\$150,520
Accounts receivable	<u>96,066</u>	<u>92,427</u>
Total Current Assets	370,225	242,947
<u>Investments, At Market</u>	378,534	312,207
<u>Equipment and Furniture, Net</u>	141,404	160,090
<u>Deposits</u>	<u>1,346</u>	<u>1,346</u>
 <u>Total Assets</u>	 <u>\$891,509</u>	 <u>\$716,590</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 13,831	\$ 15,375
RMHC Inc - Revenue sharing	43,074	37,962
- Advance	<u>121,656</u>	<u>118,716</u>
Total Current Liabilities	178,561	172,053
 <u>Net Assets</u>		
Unrestricted	<u>712,948</u>	<u>544,537</u>
 <u>Total Liabilities and Net Assets</u>	 <u>\$891,509</u>	 <u>\$716,590</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u> <u>Totals</u>	<u>2009</u> <u>Totals</u>
<u>Changes in Unrestricted Net Assets</u>		
Revenue, gains and other support:		
Fundraising revenue, net	\$375,028	\$337,688
Contributions	332,193	322,967
Equipment contribution - RMHC Inc	2,018	39,572
Investment activity, net	76,004	23,592
Miscellaneous income	5,030	
Loss on disposal of fixed asset		(385)
In-kind donations	<u>7,912</u>	<u>2,899</u>
Total Revenue, Gains and Support	<u>798,185</u>	<u>726,333</u>
Expenses:		
Program services/grantmaking	576,109	558,232
General and administration	45,671	41,026
Fundraising	<u>7,994</u>	<u>8,173</u>
Total Expenses	<u>629,774</u>	<u>607,431</u>
<u>Changes in Unrestricted Net Assets</u>	168,411	118,902
<u>Net Assets at Beginning of Year</u>	<u>544,537</u>	<u>425,635</u>
<u>Net Assets at End of Year</u>	<u>\$712,948</u>	<u>\$544,537</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Service/ Grantmaking</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>2010 Totals</u>	<u>2009 Totals</u>
Grants	\$380,576	\$		\$380,576	\$398,798
Revenue sharing - RMHC Inc	89,332			89,332	82,072
Director	57,402	26,494	4,416	88,312	87,039
Office administration	333	154	26	513	36
Accounting	3,900	1,800	300	6,000	6,000
Annual audit	3,250	1,500	250	5,000	5,085
Public relations	3,766	441	222	4,429	1,084
Travel	6,473	1,214	404	8,091	4,682
Printing	738	138	46	922	657
Occupancy	5,300	2,446	408	8,154	8,088
Payroll services	608	281	47	936	903
Telephone and internet	1,738	802	134	2,674	3,035
Depreciation	15,369	7,094	1,182	23,645	2,682
Meetings	829	383	64	1,276	1,034
Supplies	467	215	36	718	1,693
Bank fees	69	32	5	106	253
Postage	383	102	26	511	683
Insurance	289	134	22	445	426
Workers' compensation	144	67	11	222	282
In-kind expenses	5,143	2,374	395	7,912	2,899
	<u>\$576,109</u>	<u>\$ 45,671</u>	<u>\$ 7,994</u>	<u>\$629,774</u>	<u>\$607,431</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u> <u>Totals</u>	<u>2009</u> <u>Totals</u>
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	\$168,411	\$118,902
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,645	2,682
Investment activity, net	(76,004)	(23,592)
Equipment contribution - RMHC Inc	(2,018)	(39,572)
Loss on disposal of assets		385
Changes in operating assets and liabilities:		
Accounts receivable	(3,639)	(92,427)
Other assets		(867)
Accounts payable and accrued expenses	<u>3,568</u>	<u>36,711</u>
Net Cash from Operating Activities	<u>113,963</u>	<u>2,222</u>
<u>Cash Flows from Investing Activities:</u>		
Net redemptions of investments	9,676	8,875
Payments for equipment	<u>(2,940)</u>	<u>(122,538)</u>
Net Cash from Investing Activities	<u>6,736</u>	<u>(113,663)</u>
<u>Cash Flows from Financing Activities:</u>		
Advances from RMHC Inc	<u>2,940</u>	<u>118,716</u>
Net Cash from Financing Activities	<u>2,940</u>	<u>118,716</u>
<u>Net Increase in Cash and Cash Equivalents</u>	123,639	7,275
<u>Beginning Cash and Cash Equivalents</u>	<u>150,520</u>	<u>143,245</u>
<u>Ending Cash and Cash Equivalents</u>	<u>\$274,159</u>	<u>\$150,520</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Purpose - Ronald McDonald House Charities of Northeastern Ohio (RMHC - NEO) helps children by supporting the Ronald McDonald Houses of Akron and Cleveland, and by awarding grants to qualified not-for-profit organizations whose programs improve the quality of life for children and their families in Northeastern Ohio.

Bylaws of the Organization allow for solicitation of contributions from the general public. RMHC - NEO 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 treatment 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 and accordingly reflect all significant receivables, payables and other liabilities.

Support and Expenses

Contributions received and unconditional promises to give to the Organization are measured at their fair values and are reported as an increase in net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Also includes \$155,700 of money market funds held at Charles Schwab.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and short-term investments. The Organization places these items with financial institutions it deems to be high quality and creditworthy and are not in excess of federally-insured limits of \$250,000.

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments/Risk

The Organization has significant investments in equity and debt securities and is therefore subject to concentrations of credit risk and volatile market fluctuations. Investments are managed by Charles Schwab who report to the Board of Directors. The Board of Directors believes that its investment policy is prudent for the long-term welfare of the Organization.

	Cost	Market
Long-term investments were held by:		
Charles Schwab	<u>\$170,064</u>	<u>\$378,534</u>
Investments consisted of:		
McDonald's Corp Stock	\$112,659	\$318,631
Mutual Funds	<u>57,405</u>	<u>59,903</u>
	<u>\$170,064</u>	<u>\$378,534</u>

Under FASB ASC 958-320-50, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income from long-term investments consisted of:

Income from Investments	\$ 10,168
Increase in Net Unrealized Gains	<u>65,836</u>
Investment Activity, Net	<u>\$ 76,004</u>

Fair Value Measurements

The provisions of FASB ASC 820-10 establish a framework for measuring fair value and provide a fair value hierarchy which prioritizes inputs for valuation techniques. The three levels of fair value hierarchy are:

Level 1 - Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities.

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements - Continued

Level 2 - Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Valuation is based upon unobservable inputs that are significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize unobservable inputs.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are 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.

The following table shows the Organization's investments within the fair value hierarchy at December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
McDonald's Corp Stock	\$318,631	\$ -	\$ -	\$318,631
Mutual Funds	<u>59,903</u>	<u>-</u>	<u>-</u>	<u>59,903</u>
	<u>\$378,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$378,534</u>

Donated Services

The Organization received donated professional services and miscellaneous supplies totaling \$7,912 that are reflected in the financial statements as both income and expense. Many individuals also volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations and various committee assignments.

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status

The Organization is a non-profit corporation exempt from Federal Income Tax under section 501(c)(3) of the Internal Revenue Code.

Use of Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from estimates that were used.

Unrestricted Net Assets

The Organization's financial reporting is in accordance with FASB ASC 958-360 and 958-205. Net assets are primarily for operating purposes including facilities.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2010:

Donation box collections in transit	\$ 85,645
Pledges	<u>10,421</u>
	<u>\$ 96,066</u>

NOTE 3 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2010 the Organization paid 25% of its national fundraising revenue to Ronald McDonald House Charities, Inc. ("RMHC Inc") through a licensing agreement. For the year ended December 31, 2010, total revenue sharing expense was \$89,332 including a payable of \$43,074.

The Organization also participates in the national program offered by RMHC Inc which provided donation box equipment of \$2,018. RMHC Inc also advanced \$2,940 to assist in the purchase of new donation boxes. This interest-free advance has no set monthly payments and a balloon payment due December 31, 2011. The donation box program is the principal source of fundraising for the Organization.

RONALD MCDONALD HOUSE CHARITIES
OF NORTHEASTERN OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Continued

NOTE 3 - RELATED PARTY TRANSACTIONS - Continued

In connection with an affiliation agreement, effective January 1, 1998 and amended July 30, 2003, with the Cleveland and Akron Ronald McDonald Houses, the Organization provides minimum grants to each organization of \$40,000 annually. In 2010, an additional \$40,000 was granted to the Ronald McDonald House of Cleveland for the Ronald McDonald Family Room program.

NOTE 4 - EQUIPMENT AND FURNITURE

Equipment and furniture consists of the following:

Equipment	\$163,247
Office furniture and equipment	<u>9,991</u>
	173,238
Accumulated depreciation	<u>(31,834)</u>
	<u>\$141,404</u>

Equipment and furniture are recorded at cost and are depreciated over a five to seven year period using the straight-line method. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. 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. Depreciation expense for the year is \$23,645.

NOTE 5 - LEASES

The Organization leases office space in Independence, Ohio through a sixty-month operating lease set to expire February 2014. Office lease payments totaled \$7,919 for 2010. Future minimum commitments under non-cancellable terms are as follows:

2011	\$ 7,919
2012	7,919
2013	7,919
2014	1,320
Thereafter	<u> </u>
	<u>\$ 25,077</u>

NOTE 6 - FUNDRAISING REVENUE, NET

Fundraising revenue consists of gross income from donation boxes of \$438,939, less expenses associated with collections of \$63,911.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 18, 2011, the date the financial statements were available for issue.