

**RONALD MCDONALD HOUSE
CHARITIES OF NORTHEAST
INDIANA, INC.**

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ronald McDonald House Charities of Northeast Indiana, Inc.
Fort Wayne, Indiana

We have audited the accompanying financial statements of Ronald McDonald House Charities of Northeast Indiana, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013 and 2012, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 misstatements 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 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of Northeast Indiana, Inc. as of December 31, 2013 and 2012, 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.

Dale W. Ward & Addold, Inc.

Fort Wayne, Indiana
May 21, 2014

RONALD MCDONALD HOUSE CHARITIES OF NORTHEAST INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 642,163	\$ 484,381
Pledges receivable	8,805	34,404
Certificates of deposit	72,558	72,558
Cash restricted to investment in fixed assets	1,079,257	966,535
Investments	8,501	2,141
Fixed assets - net	973,757	1,122,857
Beneficial interest	47,844	41,473
	<u>\$ 2,832,885</u>	<u>\$ 2,724,349</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 6,402	\$ 10,000
Employee withholdings	50	-
Note payable	892,602	965,000
	<u>899,054</u>	<u>975,000</u>
Net Assets:		
Unrestricted	853,935	745,384
Temporarily restricted	1,079,896	1,003,965
	<u>1,933,831</u>	<u>1,749,349</u>
Total Liabilities and Net Assets	<u>\$ 2,832,885</u>	<u>\$ 2,724,349</u>

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

RONALD MCDONALD HOUSE CHARITIES OF NORTHEAST INDIANA, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2013 and 2012

	Unrestricted	Temporarily Restricted	2013 Total	Unrestricted	Temporarily Restricted	2012 Total
CHANGE IN NET ASSETS						
Support, Revenues and Gains:						
Canister collections	\$ 125,721	\$ -	\$ 125,721	\$ 126,612	\$ -	\$ 126,612
Contributions	219,950	1,470	221,420	69,111	2,720	71,831
Capital campaign contributions	-	81,538	81,538	-	672,644	672,644
In-kind contributions	223,800	-	223,800	181,902	-	181,902
Special events:						
Proceeds	132,175	-	132,175	127,949	-	127,949
Less direct benefit to donors	(4,733)	-	(4,733)	(10,777)	-	(10,777)
Interest income	3,408	-	3,408	2,758	-	2,758
Other income	-	-	-	51	-	51
Gain on investments	4,691	-	4,691	7,204	-	7,204
Net Assets Released From Restrictions:						
Satisfaction of purchase requirements	7,077	(7,077)	-	118,301	(118,301)	-
Total Support, Revenues and Gains	712,089	75,931	788,020	623,111	557,063	1,180,174
Expenses:						
Program	433,049	-	433,049	322,070	-	322,070
Management and general	37,172	-	37,172	35,578	-	35,578
Fund raising	105,531	-	105,531	104,551	-	104,551
Contribution to National Chapter	27,786	-	27,786	27,546	-	27,546
Total Expenses	603,538	-	603,538	489,745	-	489,745
CHANGE IN NET ASSETS	108,551	75,931	184,482	133,366	557,063	690,429
NET ASSETS - beginning of year	745,384	1,003,965	1,749,349	612,018	446,902	1,058,920
NET ASSETS - end of year	\$ 853,935	\$ 1,079,896	\$ 1,933,831	\$ 745,384	\$ 1,003,965	\$ 1,749,349

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

RONALD MCDONALD HOUSE CHARITIES OF NORTHEAST INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program	Management and General	Fund Raising	2013 Total
Salaries	\$ 78,933	\$ 15,786	\$ 63,146	\$ 157,865
Employee benefits	7,913	1,583	6,330	15,826
Payroll taxes	5,987	1,197	4,789	11,973
Total Salaries and Related Expenses	92,833	18,566	74,265	185,664
Rent	213,193	2,243	8,977	224,413
Canister expense	18,329	-	-	18,329
Marketing	6,551	345	6,551	13,447
Special events	-	-	12,537	12,537
Insurance	9,912	542	-	10,454
Professional fees	1,101	5,533	-	6,634
Board expense	-	6,362	-	6,362
Education and conferences	2,284	228	2,056	4,568
House expenses	3,961	-	-	3,961
Printing and postage	1,664	666	999	3,329
Volunteer expense	2,728	-	-	2,728
Credit card fees	-	1,477	-	1,477
Miscellaneous	1,140	55	-	1,195
Dues and subscriptions	359	561	-	920
Small equipment	567	-	-	567
Repairs and maintenance	465	14	-	479
Catering	-	314	-	314
Investment fees	-	232	-	232
Travel	95	-	95	190
Office supplies	85	34	51	170
Total Expenses Before Depreciation	355,267	37,172	105,531	497,970
Depreciation	77,782	-	-	77,782
Total Expenses	\$ 433,049	\$ 37,172	\$ 105,531	\$ 575,752

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

RONALD MCDONALD HOUSE CHARITIES OF NORTHEAST INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Program	Management and General	Fund Raising	2012 Total
Salaries	\$ 72,999	\$ 14,600	\$ 58,641	\$ 146,240
Employee benefits	10,117	2,023	8,093	20,233
Payroll taxes	5,491	1,098	4,392	10,981
Total Salaries and Related Expenses	88,607	17,721	71,126	177,454
Rent	116,470	1,226	4,904	122,600
Small equipment	46,018	-	-	46,018
Professional fees	1,186	14,746	14,000	29,932
Canister expense	17,990	-	-	17,990
Insurance	8,555	542	-	9,097
Marketing	1,235	-	6,738	7,973
Special events	-	-	5,616	5,616
Printing and postage	1,281	512	769	2,562
Education and conferences	1,213	121	1,092	2,426
House expenses	2,347	-	-	2,347
Miscellaneous	1,142	-	-	1,142
Dues and subscriptions	182	279	-	461
Travel	193	-	192	385
Office supplies	190	76	114	380
Volunteer expense	350	-	-	350
Investment fees	-	190	-	190
Board expense	-	97	-	97
Repairs and maintenance	-	68	-	68
Total Expenses Before Depreciation	286,959	35,578	104,551	427,088
Depreciation	35,111	-	-	35,111
Total Expenses	\$ 322,070	\$ 35,578	\$ 104,551	\$ 462,199

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

RONALD MCDONALD HOUSE CHARITIES OF NORTHEAST INDIANA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 184,482	\$ 690,429
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Reinvestment of certificates of deposit interest	-	(506)
In-kind contribution of fixed assets	-	(49,440)
Depreciation	77,782	35,111
Change beneficial interest	(1,776)	(941)
Reinvestment of investment interest	(42)	(125)
(Gain) loss on investments	(4,691)	(7,204)
Contributions restricted for long-term purposes	(81,538)	(608,193)
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	25,599	36,078
Increase (decrease) in:		
Accounts payable	(3,598)	(791)
Employee withholdings	50	-
Accrued payroll	-	(3,103)
Advance payable	-	(26,288)
	<u>196,268</u>	<u>65,027</u>
Cash Flows From Operating Activities	196,268	65,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,080)	(53,888)
Increase in cash restricted to investment in fixed assets	(112,722)	(569,889)
Contributions restricted for long-term purposes	81,538	608,193
Proceeds from sale of investments	2,100	18,736
Purchase of investments	(8,322)	(8,308)
	<u>(38,486)</u>	<u>(5,156)</u>
Cash Flows From Investing Activities	(38,486)	(5,156)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	157,782	59,871
CASH AND CASH EQUIVALENTS - beginning of year	484,381	424,510
	<u>484,381</u>	<u>424,510</u>
CASH AND CASH EQUIVALENTS - end of year	\$ 642,163	\$ 484,381
	<u>\$ 642,163</u>	<u>\$ 484,381</u>

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

RONALD MCDONALD HOUSE CHARITIES OF NORTHEAST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ronald McDonald House Charities of Northeast Indiana, Inc. (RMHC) is a nonprofit organization whose mission is to create, find, and support programs that directly improve the health and well-being of children. In addition, RMHC supports the Ronald McDonald House at Parkview Hospital, a home away from home for families of ill or injured children, age 21 and under, hospitalized at Parkview.

Taxes

RMHC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The Organization is no longer subject to income tax examinations by taxing authorities for tax years ending on or before December 31, 2009. The Organization's management has determined that there are no events that would more likely than not cause the above tax position to change within the next twelve months.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, RMHC considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Certificates of Deposit

Certificates of deposit consist of certificates having maturities of more than three months at the time of purchase.

Allowance for Doubtful Accounts

RMHC provides an allowance for doubtful receivables, if applicable, which is based on management's estimate of losses that will be incurred in the collection of all receivables.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Fixed Assets

Fixed assets are stated at cost or, if donated, at fair value at the date of the gift. RMHC follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. It is not the RMHC's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. Fixed assets with an item cost or donated value of \$500 or more and a useful life of one year or more are capitalized when acquired.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. These investments are initially recorded at cost if they were purchased or at their fair market value on the date of the gift if they were received as a donation. Unrealized gains and losses are included in the statement of activities change in net assets.

Contributions

Gifts of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit their use. In the case of temporarily restricted support, when the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

RMHC receives a significant amount of donated services from volunteers. No amounts have been reflected for these donated services in the statements because they do not meet the requirements for financial recognition under FASB ASC 958-605.

Reclassification

Reclassifications have been made to 2012 unrestricted and restricted revenues. These reclassifications have no effect on the change in net assets for 2012.

Subsequent Events

Management has evaluated subsequent events through May 21, 2014, the date which the financial statements were available for issue.

2. **PLEDGES RECEIVABLE**

All pledges receivable are due within one year.

As of December 31, 2013, RMHC has received capital campaign intentions to give of \$792,624 which have not been recorded as an asset of RMHC. As of December 31, 2012, \$117,983 has been collected and recognized as income.

3. **FIXED ASSETS**

Fixed assets consist of the following:

	2013	2012
Improvements	\$ 923,792	\$ 996,190
Furniture and equipment	<u>187,918</u>	<u>186,839</u>
	1,111,710	1,182,029
Less accumulated depreciation	<u>137,953</u>	<u>60,172</u>
	<u>\$ 973,757</u>	<u>\$ 1,122,857</u>

4. **BENEFICIAL INTEREST**

The beneficial interest consists of funds held by the Community Foundation of Greater Fort Wayne (Foundation) which are the result of an agreement whereby RMHC has transferred assets to the Foundation and has specified itself as the beneficiary of the assets. RMHC may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of \$37,909 at December 31, 2013 and \$25,078 at December 31, 2012, for the benefit of RMHC for which the Foundation has retained variance power. These assets are not recorded as assets of RMHC.

5. **INVESTMENTS**

Investments as of December 31 are summarized as follows:

	2013	2012
Equities	\$ 8,460	\$ 2,015
Cash	<u>41</u>	<u>126</u>
	<u>\$ 8,501</u>	<u>\$ 2,141</u>

6. **FAIR VALUE MEASUREMENT**

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability'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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Beneficial Interest. Value based upon the Organization's proportionate share of the Community Foundation of Greater Fort Wayne's pooled investment portfolio.

Investments. Value determined by reference to quoted market prices and other relevant information generated by market transactions.

(continued)

6. FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2013 are as follows:

	Level 1	Level 3
Beneficial interest	\$ -	\$ 47,844
Investments:		
iShares TR Russell 1000 ETF	<u>8,460</u>	<u>-</u>
	<u>\$ 8,460</u>	<u>\$ 47,844</u>

Fair value of assets and liabilities measured on a recurring basis at December 31, 2012 are as follows:

	Level 1	Level 3
Beneficial interest	\$ -	\$ 41,473
Investments:		
Countrywide capital	<u>2,015</u>	<u>-</u>
	<u>\$ 2,015</u>	<u>\$ 41,473</u>

Following is a reconciliation of activity for assets and liabilities measured at fair value based on significant unobservable inputs for the year ending December 31:

	2013	2012
Beginning balance – January 1	\$ 41,473	\$ 36,843
Total gains and losses included in change in net assets:		
Interest and dividends	2,008	1,131
Unrealized gain	923	2,332
Realized gain	3,672	1,357
Investment fees	(232)	(190)
Contributions	<u>-</u>	<u>-</u>
Ending balance – December 31	<u>\$ 47,844</u>	<u>\$ 41,473</u>

7. **ENDOWMENT**

RMHC has currently invested its board designated endowment funds with the Community Foundation of Greater Fort Wayne. The endowment has been established for operations. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of December 31

	2013	2012
Unrestricted net assets:		
Board designated endowment funds	\$ 47,844	\$ 41,473

Changes in Endowment Net Assets for the Year Ended December 31

	2013	2012
Unrestricted net assets:		
Endowment net assets – January 1	\$ 41,473	\$ 36,843
Investment return:		
Investment income	2,008	1,131
Net appreciation (realized and unrealized)	4,595	3,689
Fees	<u>(232)</u>	<u>(190)</u>
Total investment return	6,371	4,630
Appropriation of endowment assets for expenditures	<u>-</u>	<u>-</u>
Endowment net assets – December 31	<u>\$ 47,844</u>	<u>\$ 41,473</u>

Return Objectives and Risk Parameters

RMHC's investment policy for its endowment assets are to invest with the Community Foundation of Greater Fort Wayne to produce earnings that RMHC can use for operations.

Strategies Employed for Achieving Objectives

To satisfy its objective, RMHC has invested its endowment assets with the Community Foundation of Greater Fort Wayne.

(continued)

7. **ENDOWMENT (continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy

RMHC's spending policy allows RMHC to use earnings on endowment assets for operations as needed.

8. **NOTE PAYABLE**

A noninterest-bearing note payable in the amount of \$892,602 at December 31, 2013 and \$965,000 at December 31, 2012 is due to Parkview Health System, Inc. in five annual installments of \$178,520 with final payment due November 17, 2017. The note is secured by leasehold improvements.

During 2013, Parkview revised the cost of the leasehold improvements being acquired by RMHC resulting in a \$72,398 decrease in leasehold improvements and the note payable.

Maturities on the note payable as of December 31, 2013:

2014	\$	357,041
2015	\$	178,520
2016	\$	178,520
2017	\$	178,521

9. **NET ASSETS**

Temporarily restricted net assets at December 31 are restricted for the following:

	2013	2012
Capital campaign	\$ 1,079,258	\$ 1,002,386
Coca-Cola purchases	<u>638</u>	<u>1,579</u>
	<u>\$ 1,079,896</u>	<u>\$ 1,003,965</u>

(continued)

9. NET ASSETS (continued)

The Board of Directors of RMHC has designated unrestricted net assets for the following purposes:

	2013	2012
House operations	\$ 325,112	\$ 343,879
Endowment	47,844	41,473
Capital campaign	<u>69,764</u>	<u>50,000</u>
	<u>\$ 442,720</u>	<u>\$ 435,352</u>

10. IN-KIND CONTRIBUTIONS

Operating facilities for RMHC are provided by Parkview Health as in-kind under a five year operating lease expiring August 2012 at which time RMHC relocated to the Parkview Regional Medical Center. Beginning in August 2012, RMHC received the use of in-kind facilities from Parkview Health under a ten year verbal agreement. RMHC also received in-kind contributions of services during 2012. RMHC recognizes contributions for facilities and services received at the fair value of those facilities and services as follows:

	2013	2012
Program		
Rent	\$ 212,610	\$ 116,470
Small equipment	-	9,862
Management and general		
Rent	2,238	1,226
Fund raising		
Rent	8,952	4,904
Professional fees	<u>-</u>	<u>2,860</u>
Total in-kind	<u>\$ 223,800</u>	<u>\$ 135,322</u>

11. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

Noncash investing and financing activities for 2012 include the following:

In-kind contribution of fixed assets	\$	49,440
Purchase of fixed assets via note payable	\$	965,000

Noncash investing and financing activities for 2013 include the following:

Reduction of leasehold improvements and note payable	\$	72,398
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12. CONCENTRATIONS

RMHC receives a substantial amount of services and support from Parkview Hospital. A significant reduction in the level of this activity, if this were to occur, may have an effect on RMHC's operating results.

13. CREDIT RISK

RMHC maintains cash balances at various local banks. These cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2013, deposits in excess of the insured amount totaled \$1,018,929.