

**RONALD McDONALD HOUSE CHARITIES
NY TRI-STATE AREA, INC.**

FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 2016
AND 2015**

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

DECEMBER 31, 2016 AND 2015

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Independent Auditor's Report

Board of Trustees
Ronald McDonald House Charities NY Tri-State Area, Inc.
Roseland, New Jersey

We have audited the accompanying financial statements of Ronald McDonald House Charities NY Tri-State Area, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015 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 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 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 NY Tri-State Area, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.


CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
October 20, 2017

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets:		
Cash in bank	\$ 4,376,811	\$ 4,535,991
Canister collections receivable	118,681	185,318
Due from RMHC Global	80,087	37,331
Contributions receivable	100,962	57,526
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,676,541</u>	<u>\$ 4,816,166</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 88,740	\$ 28,820
Scholarships payable	8,000	19,208
	<hr/>	<hr/>
Total liabilities	96,740	48,028
 Commitments and contingencies		
 Net assets:		
Unrestricted	4,579,801	4,768,138
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,676,541</u>	<u>\$ 4,816,166</u>

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

STATEMENTS OF ACTIVITIES

	YEAR ENDED DECEMBER 31,					
	2016			2015		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenues and support:						
National and special events	\$ 762,846	\$ 578,828	\$ 184,018	\$ 1,079,687	\$ 703,687	\$ 376,000
Less costs of direct benefits to donors	(46,749)	(46,749)	-	(15,866)	(15,866)	-
Net revenue from national and special events	716,097	532,079	184,018	1,063,821	687,821	376,000
Ronald McDonald store canisters	1,445,428	1,445,428	-	1,493,783	1,493,783	-
Other general public and corporate support	447,455	183,689	263,766	377,721	115,649	262,072
Interest income	9,346	9,346	-	10,817	10,817	-
Donated services	20,000	20,000	-	58,056	58,056	-
Net assets released from restrictions	-	447,784	(447,784)	-	638,072	(638,072)
Total revenues and support	2,638,326	2,638,326	-	3,004,198	3,004,198	-
Expenses:						
Program services	1,985,930	1,985,930	-	2,267,556	2,267,556	-
Supporting services:						
Management and general	218,070	218,070	-	201,112	201,112	-
Fundraising	318,487	318,487	-	307,531	307,531	-
Payments to RMHC Global	304,176	304,176	-	314,647	314,647	-
Total expenses	2,826,663	2,826,663	-	3,090,846	3,090,846	-
DECREASE IN NET ASSETS	(188,337)	(188,337)	-	(86,648)	(86,648)	-
Net assets at beginning of year	4,768,138	4,768,138	-	4,854,786	4,854,786	-
NET ASSETS AT END OF YEAR	\$ 4,579,801	\$ 4,579,801	\$ -	\$ 4,768,138	\$ 4,768,138	\$ -

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31,

	2016				2015			
	Total	Program Services	Management and General	Fund-Raising	Total	Program Services	Management and General	Fund-Raising
Grants to individual Ronald McDonald Houses	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
Scholarship awards	647,459	647,459	-	-	766,898	766,898	-	-
Grants to nonprofit organizations	263,750	263,750	-	-	425,100	425,100	-	-
Payroll and related cost	248,602	74,721	140,651	33,230	254,019	75,558	144,482	33,979
Canister collection and repair costs	225,115	-	-	225,115	273,552	-	-	273,552
Professional fees	32,265	-	32,265	-	40,538	-	40,538	-
Insurance and outside services	7,736	-	7,736	-	7,663	-	7,663	-
Advertising	25,000	-	25,000	-	-	-	-	-
Activity center merchandisers	59,986	-	-	59,986	-	-	-	-
Other costs	12,574	-	12,418	156	8,429	-	8,429	-
Total	\$ 2,522,487	\$ 1,985,930	\$ 218,070	\$ 318,487	\$ 2,776,199	\$ 2,267,556	\$ 201,112	\$ 307,531

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
INCREASE (DECREASE) IN CASH		
Cash flows from operating activities:		
Decrease in net assets	\$ (188,337)	\$ (86,648)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net changes in assets and liabilities:		
Canister collections receivable	66,637	(58,344)
Due from RMHC Global	(42,756)	(65,707)
Contributions receivable	(43,436)	47,734
Accounts payable	59,920	(2,542)
Scholarships payable	(11,208)	10,208
	(159,180)	(155,299)
Net cash used in operating activities	(159,180)	(155,299)
NET DECREASE IN CASH	(159,180)	(155,299)
Cash in bank - January 1	4,535,991	4,691,290
CASH IN BANK - DECEMBER 31	\$ 4,376,811	\$ 4,535,991

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies

Operations

The Charity is a not-for-profit corporation organized to raise funds to support local Ronald McDonald Houses and local and national charities benefiting children as well as to provide scholarships to minority students in the New York tri-state area. The expenses of the Charity on the statement of activities were incurred in connection with the stated purpose of the Charity. McDonald's Corporate Regional Office in New Jersey provides physical facilities and administrative services to the Charity without charge. However, since the value of these services is not readily ascertainable, they are not reflected in the attached financial statements.

Basis of Accounting

The Charity presents its financial statements on the accrual basis of accounting and, therefore, any contributions pledged to it or grants made are recorded when the pledge or grant is made and there are no unfulfilled conditions relating to each. Cash canister collection receipts are substantially recorded based upon collection reports submitted by a bonded collection service. Certain services received by the Charity without charge, the value of which is objectively determinable, are recorded as both revenue and expense in the attached statement of activities. For the years ended December 31, 2016 and 2015, such services were comprised of \$20,000 of professional fees and for the year ended December 31, 2015 \$38,056 of canister replacement and installation fees.

Financial Statement Presentation

The Charity follows the reporting format of the standard on "Financial Statements of Not-For-Profit Organizations" issued by the Financial Accounting Standards Board which requires that information about financial position and activities be reported according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Charity had no temporarily or permanently restricted net assets as of December 31, 2016 and 2015.

Contributions

Contributions received by the Charity consist of direct public support, indirect public support and contributions received from the local McDonald's Owner/Operator Association. Direct public support includes contributions, gifts, grants and bequests received directly from the public, including individuals, corporations, trusts, estates, foundations and other organizations not affiliated with the recipient and contributions received from collection canisters at local McDonald's restaurants, certain of whose owners serve on the Board of Trustees of the Charity. The costs of the bonded collection service used for canister collections and of repairing and replacing the canisters are included with fundraising costs. 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

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires or the purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Income Taxes

The Charity has registered with the Treasury Department under Section 501(c) (3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes on its operations. The Charity believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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.

Subsequent Events

The Charity has considered subsequent events occurring through October 20, 2017, the date the financial statements were available for issuance, in evaluating its estimates and in the preparation of its financial statements. Except as disclosed in Note C, no subsequent events occurred which would require disclosure in these financial statements.

NOTE B - Concentration of Risk

The Charity's cash funds are deposited at one large banking institution. At December 31, 2016 and 2015, substantially all of the Charity's cash balance exceeded federally insured limits.

NOTE C - Commitments and Contingencies

As part of a national affiliation agreement, the Charity is obligated to remit 25% of certain monetary contributions received, net of fund-raising expenses, to the National Ronald McDonald House Charities Organization ("RMHC Global"). The National Organization may, upon notice to the Charity, change the remittance percentage.

RONALD McDONALD HOUSE CHARITIES NY TRI-STATE AREA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C - Commitments and Contingencies (Continued)

The Board of Trustees has authorized future scholarship grants, which are conditioned upon the grantee enrolling at the designated university in future academic years. Since such grants are conditioned upon a future event, they are not recorded in the financial statements until they become unconditional and payable.

The following summarizes the remaining unpaid authorized scholarship grants which are not reflected in the financial statements:

As at December 31, 2016

<u>Total</u>	<u>Year Authorized</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>\$1,028,000</u>	<u>\$462,000</u>	<u>\$378,000</u>	<u>\$184,000</u>	<u>\$4,000</u>

As at December 31, 2015

<u>Total</u>	<u>Year Authorized</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>\$1,168,208</u>	<u>\$564,208</u>	<u>\$364,000</u>	<u>\$240,000</u>

The scholarships payable on the statement of financial position at December 31, 2015 and 2014 represent amounts payable for currently enrolled students at that date. On June 28, 2017, the Board of Trustees voted to suspend all scholarship awards in 2018.

In 2016 and 2015, the Board of Trustees also approved future grants to individual Ronald McDonald Houses totaling \$1,000,000 and \$1,000,000, respectively. These future grants are not recorded in the financial statements until they are communicated to the grantee which occurs subsequent to year end or until the grantee meets a required condition.

NOTE D - Due from (to) RMHC Global

Due from (to) RMHC Global is comprised of the following at December 31:

	<u>2016</u>	<u>2015</u>
Receivables from RMHC Global for:		
1 Penny Happy Meal promotions	\$ 39,751	\$ 39,702
2016 #LovinforRMHC	115,381	-
Amex Points Redemption	-	73,042
Online donations	-	8,975
	<u>155,132</u>	<u>121,719</u>
Less due to RMHC Global for canister collections received	<u>(75,045)</u>	<u>(84,388)</u>
Total	<u>\$ 80,087</u>	<u>\$ 37,331</u>