

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
Oak Brook, Illinois

**FINANCIAL STATEMENTS**  
December 31, 2014 and 2013



**CliftonLarsonAllen**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Ronald McDonald House Charities, Inc.  
Oak Brook, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ronald McDonald House Charities, Inc. (RMHC) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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.

### ***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 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 auditors' 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 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.

Board of Trustees  
Ronald McDonald House Charities, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RMHC at December 31, 2014 and 2013, and the changes in its net assets, functional expenses, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
May 5, 2015

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2014 and 2013

**ASSETS**

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 6,286	\$ 9,384
Contributions receivable, net	9,441	12,924
Other assets	1,868	1,821
Software, net	371	547
Investments	<u>121,638</u>	<u>122,684</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 139,604</u></b>	 <b><u>\$ 147,360</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 922	\$ 858
Grants payable, net	5,592	11,138
Intermediary third party liability	<u>543</u>	<u>511</u>
Total liabilities	<u>7,057</u>	<u>12,507</u>

**NET ASSETS**

Unrestricted	<u>127,218</u>	<u>130,555</u>
Temporarily restricted:		
Time restricted	5,283	4,232
Local RMHC program support	<u>46</u>	<u>66</u>
Total temporarily restricted	<u>5,329</u>	<u>4,298</u>
Total net assets	<u>132,547</u>	<u>134,853</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 139,604</u></b>	<b><u>\$ 147,360</u></b>
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The accompanying notes are an integral part of the financial statements.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
	<i>(In Thousands)</i>					
<b>REVENUES</b>						
Contributions	\$ 28,898	\$ 2,404	\$ 31,302	\$ 27,496	\$ 3,187	\$ 30,683
Special events revenue	7,282	-	7,282	6,373	-	6,373
Less direct benefit costs	(1,424)	-	(1,424)	(1,122)	-	(1,122)
Net revenue from special events	5,858	-	5,858	5,251	-	5,251
Program service revenue	103	-	103	509	-	509
Other revenue (loss)	20	-	20	(14)	-	(14)
Net assets released from restrictions	1,374	(1,374)	-	2,797	(2,797)	-
Total revenues	36,253	1,030	37,283	36,039	390	36,429
<b>EXPENSES</b>						
Grants and program services	31,970	-	31,970	29,609	-	29,609
Supporting services:						
Management and general administration	3,017	-	3,017	2,881	-	2,881
Fundraising	5,853	-	5,853	3,735	-	3,735
Total supporting services	8,870	-	8,870	6,616	-	6,616
Total expenses	40,840	-	40,840	36,225	-	36,225
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(4,587)	1,030	(3,557)	(186)	390	204
<b>INVESTMENT INCOME</b>						
Net realized and unrealized gains (losses) on investments	(2,637)	-	(2,637)	10,124	-	10,124
Interest and dividends	3,887	1	3,888	2,860	1	2,861
Total investment income	1,250	1	1,251	12,984	1	12,985
<b>CHANGE IN NET ASSETS</b>	(3,337)	1,031	(2,306)	12,798	391	13,189
<b>NET ASSETS, BEGINNING OF YEAR</b>	130,555	4,298	134,853	117,757	3,907	121,664
<b>NET ASSETS, END OF YEAR</b>	\$ 127,218	\$ 5,329	\$ 132,547	\$ 130,555	\$ 4,298	\$ 134,853

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

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2014

	Grants	Donated Services	Other Services and Professional Fees	Public Awareness	Travel, Meetings, and Conventions	Miscellaneous Office Expenses	Other	Total	Total Donated Expense	Total Paid by RMHC	Total
	<i>(In Thousands)</i>										
<b>GRANTS AND PROGRAM SERVICES</b>											
Support of RMHC Local Chapters:											
General support	\$ 8,021	\$ 531	\$ 605	\$ -	\$ 301	\$ 36	\$ 179	\$ 9,673	\$ 753	\$ 8,920	\$ 9,673
Ronald McDonald House	8,159	59	-	-	13	2	-	8,233	76	8,157	8,233
Ronald McDonald Care Mobile	799	43	8	-	8	1	26	885	52	833	885
Ronald McDonald Family Room	1,322	43	-	-	10	2	-	1,377	55	1,322	1,377
Capacity building support	597	801	1,710	-	646	180	105	4,039	926	3,113	4,039
Scholarship programs	1,354	35	169	-	2	21	-	1,581	40	1,541	1,581
Community-focused programs	3,339	15	-	-	-	1	-	3,355	16	3,339	3,355
Total RMHC Local support	<u>23,591</u>	<u>1,527</u>	<u>2,492</u>	<u>-</u>	<u>980</u>	<u>243</u>	<u>310</u>	<u>29,143</u>	<u>1,918</u>	<u>27,225</u>	<u>29,143</u>
Other programs:											
Health and Well-being	2,360	42	13	-	4	3	5	2,427	53	2,374	2,427
Scholarship program	400	-	-	-	-	-	-	400	-	400	400
Total other programs	<u>2,760</u>	<u>42</u>	<u>13</u>	<u>-</u>	<u>4</u>	<u>3</u>	<u>5</u>	<u>2,827</u>	<u>53</u>	<u>2,774</u>	<u>2,827</u>
Total grants and program services	<u>26,351</u>	<u>1,569</u>	<u>2,505</u>	<u>-</u>	<u>984</u>	<u>246</u>	<u>315</u>	<u>31,970</u>	<u>1,971</u>	<u>29,999</u>	<u>31,970</u>
<b>SUPPORTING SERVICES</b>											
Management and general administration	-	1,466	653	-	123	68	707	3,017	1,584	1,433	3,017
Fundraising	-	1,106	2,390	743	558	247	809	5,853	1,250	4,603	5,853
Total supporting services	<u>-</u>	<u>2,572</u>	<u>3,043</u>	<u>743</u>	<u>681</u>	<u>315</u>	<u>1,516</u>	<u>8,870</u>	<u>2,834</u>	<u>6,036</u>	<u>8,870</u>
<b>TOTAL EXPENSES</b>	<u>\$ 26,351</u>	<u>\$ 4,141</u>	<u>\$ 5,548</u>	<u>\$ 743</u>	<u>\$ 1,665</u>	<u>\$ 561</u>	<u>\$ 1,831</u>	<u>\$ 40,840</u>	<u>\$ 4,805</u>	<u>\$ 36,035</u>	<u>\$ 40,840</u>

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

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

	Grants	Donated Services	Other Services and Professional Fees	Public Awareness	Travel, Meetings, and Conventions	Miscellaneous Office Expenses	Other	Total	Total Donated Expense	Total Paid by RMHC	Total
	<i>(In Thousands)</i>										
<b>GRANTS AND PROGRAM SERVICES</b>											
Support of RMHC Local Chapters:											
General support	\$ 8,974	\$ 566	\$ 445	\$ -	\$ 185	\$ 37	\$ 335	\$ 10,542	\$ 694	\$ 9,848	\$ 10,542
Ronald McDonald House	2,493	59	-	-	12	3	-	2,567	73	2,494	2,567
Ronald McDonald Care Mobile	755	40	20	-	9	2	12	838	50	788	838
Ronald McDonald Family Room	933	43	-	-	6	2	-	984	51	933	984
Capacity building support	416	838	1,844	-	1,436	130	115	4,779	987	3,792	4,779
Scholarship programs	1,345	56	161	-	11	20	-	1,593	67	1,526	1,593
Community-focused programs	3,498	14	-	-	-	1	-	3,513	15	3,498	3,513
<b>Total RMHC Local support</b>	<b>18,414</b>	<b>1,616</b>	<b>2,470</b>	<b>-</b>	<b>1,659</b>	<b>195</b>	<b>462</b>	<b>24,816</b>	<b>1,937</b>	<b>22,879</b>	<b>24,816</b>
Other programs:											
Health and Well-being	4,341	54	1	-	7	3	12	4,418	71	4,347	4,418
Scholarship program	375	-	-	-	-	-	-	375	-	375	375
<b>Total other programs</b>	<b>4,716</b>	<b>54</b>	<b>1</b>	<b>-</b>	<b>7</b>	<b>3</b>	<b>12</b>	<b>4,793</b>	<b>71</b>	<b>4,722</b>	<b>4,793</b>
<b>Total grants and program services</b>	<b>23,130</b>	<b>1,670</b>	<b>2,471</b>	<b>-</b>	<b>1,666</b>	<b>198</b>	<b>474</b>	<b>29,609</b>	<b>2,008</b>	<b>27,601</b>	<b>29,609</b>
<b>SUPPORTING SERVICES</b>											
Management and general administration	-	1,091	220	1,213	109	64	184	2,881	2,444	437	2,881
Fundraising	-	839	1,379	311	419	203	584	3,735	948	2,787	3,735
<b>Total supporting services</b>	<b>-</b>	<b>1,930</b>	<b>1,599</b>	<b>1,524</b>	<b>528</b>	<b>267</b>	<b>768</b>	<b>6,616</b>	<b>3,392</b>	<b>3,224</b>	<b>6,616</b>
<b>TOTAL EXPENSES</b>	<b>\$ 23,130</b>	<b>\$ 3,600</b>	<b>\$ 4,070</b>	<b>\$ 1,524</b>	<b>\$ 2,194</b>	<b>\$ 465</b>	<b>\$ 1,242</b>	<b>\$ 36,225</b>	<b>\$ 5,400</b>	<b>\$ 30,825</b>	<b>\$ 36,225</b>

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



**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,306)	\$ 13,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	2,637	(10,124)
Contributions of common stock	(357)	(383)
Bad debt	625	81
Amortization	255	315
Effects of changes in operating assets and liabilities:		
Contributions receivable	2,858	(1,972)
Other assets	(47)	380
Accounts payable	64	519
Grants payable	(5,546)	2,286
Intermediary third party liability	<u>32</u>	<u>(134)</u>
Net cash provided by (used in) operating activities	<u>(1,785)</u>	<u>4,157</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(31,318)	(15,523)
Proceeds from sale of investments	30,084	10,061
Purchases of software	<u>(79)</u>	<u>(562)</u>
Net cash used in investing activities	<u>(1,313)</u>	<u>(6,024)</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 (3,098)	 (1,867)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 <u>9,384</u>	 <u>11,251</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u>\$ 6,286</u>	 <u>\$ 9,384</u>

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

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Ronald McDonald House Charities, Inc. (RMHC) is an Illinois nonprofit corporation. RMHC was incorporated on September 7, 1977. The Internal Revenue Service (IRS) has issued a ruling stating that RMHC is a Section 501(c)(3) charitable organization and qualifies as a public charity under Section 509(a)(1) of the Internal Revenue Code (IRC).

The mission of RMHC is to create, find, and support programs that directly improve the health and well-being of children. RMHC fulfills its mission by creating programs that address targeted needs and by supporting these programs and other activities conducted by its Local RMHC Chapters (Chapters) worldwide. In addition, RMHC awards grants to other organizations that positively impact the health and well-being of children.

The RMHC bylaws allow for solicitation of contributions from the general public. RMHC contributes to those tax-exempt organizations, which, in the opinion of the board of trustees (board) of RMHC, are the most appropriate recipients. The bylaws also allow for the operation of a facility to provide housing and other assistance for ill children and their families (Ronald McDonald Houses).

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of RMHC to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase.

RMHC's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time-to-time. RMHC has not experienced any losses in such accounts and management believes that RMHC is not exposed to any significant credit risk on cash.

**Public Support**

Public support is generally recorded at the time of receipt. Donated services and contributions of securities are recorded at their fair values.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Contributions Receivable**

RMHC has received unconditional promises to give consisting of pledges, bequests, and split-interest agreements that are recognized as revenue in the period made. Conditional promises are recorded as revenue when the conditions are met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of the gift using risk-free interest rates applicable to the years in which the promises are expected to be received. The discount rates used were between 0.90% and 2.00% in 2014 and 0.575% to 2.33% in 2013. Amortization of the discounts is included in contribution revenue.

Split-interest agreements include three charitable remainder trusts from which RMHC will receive a percentage of the remaining assets upon the death of the initial beneficiaries, and an annuity from which RMHC receives annual payments during the donor's lifetime. A receivable has been recorded for the present value of the expected future cash flows using published life expectancy tables and a discount rate of 2.0% for both 2014 and 2013. The fair value of the receivable is updated annually and the change in value and amortization of the present value discounts are included in contribution revenue.

RMHC is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

**Software**

Software and web development are stated at cost and amortized when placed in service. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, generally three years. RMHC capitalizes all acquisitions in excess of \$1,000. Ongoing maintenance contracts are charged to expense when incurred. The balance in software as of December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
Software and web enhancements	\$ 1,868	\$ 1,789
Accumulated amortization	<u>(1,497)</u>	<u>(1,242)</u>
<b>Total</b>	<u>\$ 371</u>	<u>\$ 547</u>

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Investments**

RMHC records all investments in equity securities with readily determinable fair values and all investments in debt securities and commodities at fair value in the Statements of Financial Position. Realized and unrealized investment gains and losses and income are included in the Statements of Activities and Changes in Net Assets.

RMHC also has investments of less than 1% in two limited partnerships which are reported at cost. Capital calls to cover management fees are expensed as incurred.

**Net Assets**

RMHC reports 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. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. 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. All other net assets, including board-designated or appropriated amounts, are unrestricted and are reported as part of the unrestricted class. RMHC did not have any permanently restricted net assets for the years ended December 31, 2014 and 2013. The board targets having two to three years of operating expenses as reserves.

**Reclassifications**

Certain amounts have been reclassified for the year ended December 31, 2013 to conform with the presentation for the year ended December 31, 2014.

**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consists primarily of pledges, bequests, and split-interest agreements, as of the years ended December 31:

	<u>2014</u>	<u>2013</u>
	<i>(In Thousands)</i>	
Amounts due in:		
Less than one year	\$ 5,558	\$ 9,331
One to five years	3,808	3,294
More than five years	440	638
Total	9,806	13,263
Unamortized discount	(284)	(258)
Allowance for uncollectibles	(81)	(81)
<b>Net contributions receivable</b>	<b>\$ 9,441</b>	<b>\$ 12,924</b>

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 2 - CONTRIBUTIONS RECEIVABLE** (continued)

Contributions receivable include \$1,242,000 and \$6,354,000 due from McDonald's Corporation at December 31, 2014 and 2013, respectively, for various fundraisers.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

In determining fair value, RMHC uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of Level 2 investments are determined by reference to quoted prices for similar assets in less active markets. Fair value of Level 2 life insurance policies is determined by reference to quoted market transactions for assets similar to those held. Fair value of Level 3 split-interest agreements is determined by calculating the present value of future distributions expected to be received using published life expectancy tables and a discount rate of 2.0% in both 2014 and 2013. There has been no change in valuation techniques from the prior year.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 3 - FAIR VALUE MEASUREMENTS** (continued)

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

	<u>Cost</u>	<u>Fair Value/ Carrying Value</u>	<u>Level 1</u> <i>(In Thousands)</i>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments</b>					
Investments recorded at fair value:					
Mutual bond fund	\$ 9,967	\$ 9,940	\$ 6,255	\$ 3,685	\$ -
Common stock:					
Mutual stock fund	14,473	16,220	9,192	7,028	-
McDonald's Corporation	2,314	9,413	9,413	-	-
Total common stock	16,787	25,633	18,605	7,028	-
Global balanced asset funds	68,904	77,502	77,502	-	-
Mutual commodity fund	7,608	6,793	6,793	-	-
Total investments recorded at fair value	103,266	119,868	<u>\$ 109,155</u>	<u>\$ 10,713</u>	<u>\$ -</u>
Investments not recorded at fair value:					
Private equity	1,770	1,770			
<b>Total investments</b>	<u>\$ 105,036</u>	<u>\$ 121,638</u>			
Other assets recorded at fair value:					
Life insurance policies		\$ 806	\$ -	\$ 806	\$ -
Split-interest agreements		448	-	-	448
<b>Total</b>		<u>\$ 1,254</u>	<u>\$ -</u>	<u>\$ 806</u>	<u>\$ 448</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance, beginning of year	\$ 497
Payments received	(48)
Change in value	<u>(1)</u>
<b>Balance, end of year</b>	<u>\$ 448</u>

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 3 - FAIR VALUE MEASUREMENTS** (continued)

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

	<u>Cost</u>	<u>Fair Value/ Carrying Value</u>	<u>Level 1</u> <i>(In Thousands)</i>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments</b>					
Investments recorded at fair value:					
Mutual bond fund	\$ 9,553	\$ 9,570	\$ 7,442	\$ 2,128	\$ -
Common stock:					
Mutual stock fund	14,212	17,524	10,763	6,761	-
McDonald's Corporation	2,314	9,747	9,747	-	-
Total common stock	16,526	27,271	20,510	6,761	-
Global balanced asset funds	60,075	74,436	74,436	-	-
Mutual commodity fund	11,438	8,210	8,210	-	-
Total investments recorded at fair value	97,592	119,487	<u>\$ 110,598</u>	<u>\$ 8,889</u>	<u>\$ -</u>
Investments not recorded at fair value:					
Private equity	3,197	3,197			
<b>Total investments</b>	<u>\$ 100,789</u>	<u>\$ 122,684</u>			
Other assets recorded at fair value:					
Life insurance policies		\$ 742	\$ -	\$ 742	\$ -
Split-interest agreements		497	-	-	497
<b>Total</b>		<u>\$ 1,239</u>	<u>\$ -</u>	<u>\$ 742</u>	<u>\$ 497</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance, beginning of year	\$ 42
Contributions received	501
Payments received	(48)
Change in value	2
<b>Balance, end of year</b>	<u>\$ 497</u>

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 3 - FAIR VALUE MEASUREMENTS** (continued)

RMHC's portfolio includes investments in entities that calculate market value using net asset value per share. RMHC has the following investments at December 31:

<b><u>Private Equity Funds</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
	<i>(In Thousands)</i>	
Capital commitment	\$ 6,000	\$ 6,000
Unfunded commitments	\$ 665	\$ 681
Fair value	\$ 3,382	\$ 4,881
Redemption frequency (if currently eligible)	Ineligible	Ineligible
Redemption notice period	N/A	N/A

**Private Equity Funds**

RMHC invests in two private equity funds that seek long-term capital appreciation by making mainly equity and equity-related investments in conjunction with privately negotiated transactions. The investment strategies include management buyout, growth-equity transactions, special equity situations, and investments acquired in the secondary market. Redemptions are not permitted during the life of the fund. However, interests may be transferred with the written consent of the general partner if certain conditions are met. The invested funds are committed for a period of 10 years, set to expire in July 2016. Distributions are generally made when the funds receive income, but are at the discretion of the general partner. The fair values of the investments in these funds are based on the net asset values reported by the general partners of the portfolio funds. There are no plans to sell and no other known restrictions on the ability to sell the investments.

**NOTE 4 - GRANTS PAYABLE**

Grants payable in future years as of December 31:

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<i>(In Thousands)</i>	
Amounts due in:		
Less than one year	\$ 5,614	\$ 8,057
One to five years	-	3,129
	<hr/>	<hr/>
Total	5,614	11,186
Less unamortized discount	(22)	(48)
	<hr/>	<hr/>
<b>Net grants payable</b>	<b><u>\$ 5,592</u></b>	<b><u>\$ 11,138</u></b>



**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 - GRANTS PAYABLE** (continued)

There was no discount rate used for grants payable for the year ended December 31, 2014 as all new grants payable were due within one year. For the year ended December 31, 2013, the discount rate used was between 0.62% and 1.04%. There were \$11,500,000 and \$5,400,000 in contingent grants at December 31, 2014 and 2013, respectively. Contingent grants represent grants that have been approved by the board, but which will only be paid once certain criteria have been met.

**NOTE 5 - DONATED GOODS AND SERVICES**

RMHC received total donated goods and services of \$5,572,000 and \$5,763,000, for the years ended December 31, 2014 and 2013, respectively. Most of these donated goods and services are included in contribution revenue, with the rest included in special events revenue as they relate to specific events. Donated goods and services include support from McDonald's Corporation consisting of the free use of its facilities, equipment, materials, and employee services which totaled \$4,470,000 and \$4,149,000, for the years ended December 31, 2014 and 2013, respectively.

RMHC also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

**NOTE 6 - GRANTS AND PROGRAM SERVICES**

**Support of Local RMHC Chapters**

- *General RMHC, Ronald McDonald House, and Other Program Support*
  - RMHC provides expertise in all aspects of the core program operations, other program development, and nonprofit management for its Chapters worldwide. Support also includes general program support grants.
- *Ronald McDonald House*
  - RMHC provides grants for new and expanding Ronald McDonald House programs. The Ronald McDonald House is a home away from home for families of ill children while being treated at nearby hospitals.
- *Ronald McDonald Care Mobile*
  - RMHC developed and continues to support mobile pediatric health care services to children in underserved areas of the world. In addition to primary and specialty medical care, health education, and oral health services, the program links children to other community and social service resources.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
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**NOTE 6 - GRANTS AND PROGRAM SERVICES** (continued)

**Support of Local RMHC Chapters** (continued)

- *Ronald McDonald Family Room*
  - The Ronald McDonald Family Room program offers a home-like environment within the walls of the hospital. Ronald McDonald Family Rooms provide families of hospitalized children with a place to refresh and relax while remaining near their child's bedside.
- *Capacity Building Support*
  - RMHC is committed to strengthening the global system of the Chapters, by providing "capacity building" grants and programmatic support to help each Chapter achieve a high level of excellence in management and operations, and to help them effectively and efficiently fulfill their mission. Activities include, among others: resource development; sharing best practices to improve all aspects of the organization; strategic planning; technology upgrades; ongoing training and education of board, staff, and volunteers to encourage excellence in delivering programs, fundraising and administrative practices; facilitation of networking opportunities; and developing local fundraising capabilities to grow resources and meet new and expanding program needs.
- *Scholarship Programs*
  - RMHC developed and continues to support three scholarship programs: RMHC/HACER, RMHC/ASIA, and RMHC/Future Achievers assist graduating high school seniors of Hispanic, Asian/Pacific Islander, and African American heritage with their first year of college or university education. RMHC also directly matches scholarships awarded by U.S. Chapters through these programs.
- *Community-Focused Programs*
  - RMHC directly matches U.S. Chapter grants made to local children's organizations, thereby increasing the availability and scope of services provided to children throughout the United States.

**Other Programs**

RMHC works with other organizations to identify and address the needs of children throughout the world. These efforts are directed in two areas: improving the health of children and addressing the overall well-being of children.

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**NOTE 7 - INCOME TAXES**

The IRS has issued a ruling stating that RMHC is a Section 501(c)(3) charitable organization and qualifies as a public charity under Section 509(a)(1) of the IRC. As such, it is exempt from federal income taxation on related income. However, income from certain activities not directly related to RMHC's tax-exempt purpose is subject to taxation as unrelated business income. Income taxes for such unrelated business income were \$5,000 for the year ended December 31, 2014 and less than \$1,000 for the year ended December 31, 2013. The federal and state tax returns of RMHC for 2011, 2012, and 2013 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. RMHC has determined that it is not necessary to record a liability for uncertain tax positions as of December 31, 2014 and 2013.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

RMHC provides ongoing program grants to all of its Chapters around the world. These program grants are pre-authorized by the board of RMHC for the benefit of all Chapters. The grants are available to all Chapters that meet the program parameters; as such, the individual grants do not require any additional board action. Grants totaling \$3,807,000 and \$2,209,000, during the years ended December 31, 2014 and 2013, respectively, were provided to Chapters where certain members of the RMHC board also serve as officers and/or directors of the Chapter.

In the course of fulfilling its mission, RMHC also supports other public charities that maintain children's programs. In 2014, one charity received \$25,000 in grants where an RMHC officer and director was also a director of the charity. In 2013, no grants were provided to charities that had RMHC directors or officers as members of the board. In all cases, the grants made followed the established policies of RMHC, underwent the same review process, and the parties involved who had relationships were not involved in the decision making process.

During the years ended December 31, 2014 and 2013, RMHC received \$5,540,000 and \$5,553,000, respectively, from U.S. Chapters for shared fundraising efforts.

**NOTE 9 - CASH FLOW DISCLOSURES**

There was no cash paid for interest for the years ended December 31, 2014 and 2013. There were no non-cash investing or financing transactions for the years ended December 31, 2014 and 2013.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 - SUBSEQUENT EVENT DISCLOSURES**

Management evaluated subsequent events through May 5, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to May 5, 2015 that provided additional evidence about conditions that existed at December 31, 2014, have been recognized in the financial statements for the year ended December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2014. Management has determined that there were no events or transactions which would require disclosure in the financial statements either individually or in the aggregate for the year ended December 31, 2014.

This information is an integral part of the accompanying financial statements.