

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

**FINANCIAL STATEMENTS**  
December 31, 2015 and 2014



**CliftonLarsonAllen**

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## INDEPENDENT AUDITORS' REPORT

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

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, 2015 and 2014, 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.

### ***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, 2015 and 2014, and the changes in its net assets and its 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 4, 2016

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 2,756	\$ 6,286
Contributions receivable	10,950	9,441
Other assets	2,072	2,239
Investments	<u>111,685</u>	<u>121,638</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 127,463</u></b>	<b><u>\$ 139,604</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 895	\$ 922
Grants payable, net	4,340	5,592
Intermediary third party liability	<u>481</u>	<u>543</u>
Total liabilities	<u>5,716</u>	<u>7,057</u>

**NET ASSETS**

Unrestricted	<u>117,307</u>	<u>127,218</u>
Temporarily restricted:		
Time restricted	4,430	5,283
Local RMHC program support	<u>10</u>	<u>46</u>
Total temporarily restricted	<u>4,440</u>	<u>5,329</u>
Total net assets	<u>121,747</u>	<u>132,547</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 127,463</u></b>	<b><u>\$ 139,604</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**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>			<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
	<i>(In Thousands)</i>					
<b>REVENUES</b>						
Contributions	\$ 29,297	\$ 711	\$ 30,008	\$ 28,898	\$ 2,404	\$ 31,302
Special events revenue	6,560	-	6,560	7,282	-	7,282
Less direct benefit costs	<u>(1,090)</u>	<u>-</u>	<u>(1,090)</u>	<u>(1,424)</u>	<u>-</u>	<u>(1,424)</u>
Net revenue from special events	5,470	-	5,470	5,858	-	5,858
Program service revenue	401	-	401	103	-	103
Other revenue	42	-	42	20	-	20
Net assets released from restrictions	<u>1,601</u>	<u>(1,601)</u>	<u>-</u>	<u>1,374</u>	<u>(1,374)</u>	<u>-</u>
Total revenues	<u>36,811</u>	<u>(890)</u>	<u>35,921</u>	<u>36,253</u>	<u>1,030</u>	<u>37,283</u>
<b>EXPENSES</b>						
Program services	36,870	-	36,870	31,970	-	31,970
Supporting services:						
Management and general administration	2,300	-	2,300	3,017	-	3,017
Fundraising	<u>6,677</u>	<u>-</u>	<u>6,677</u>	<u>5,853</u>	<u>-</u>	<u>5,853</u>
Total supporting services	8,977	-	8,977	8,870	-	8,870
Total expenses	<u>45,847</u>	<u>-</u>	<u>45,847</u>	<u>40,840</u>	<u>-</u>	<u>40,840</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>(9,036)</u>	<u>(890)</u>	<u>(9,926)</u>	<u>(4,587)</u>	<u>1,030</u>	<u>(3,557)</u>
<b>INVESTMENT INCOME (LOSS)</b>						
Net realized and unrealized losses on investments	(3,604)	-	(3,604)	(2,637)	-	(2,637)
Interest and dividends	<u>2,729</u>	<u>1</u>	<u>2,730</u>	<u>3,887</u>	<u>1</u>	<u>3,888</u>
Total investment income (loss)	<u>(875)</u>	<u>1</u>	<u>(874)</u>	<u>1,250</u>	<u>1</u>	<u>1,251</u>
<b>CHANGE IN NET ASSETS</b>	(9,911)	(889)	(10,800)	(3,337)	1,031	(2,306)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>127,218</u>	<u>5,329</u>	<u>132,547</u>	<u>130,555</u>	<u>4,298</u>	<u>134,853</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 117,307</u>	<u>\$ 4,440</u>	<u>\$ 121,747</u>	<u>\$ 127,218</u>	<u>\$ 5,329</u>	<u>\$ 132,547</u>

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

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2015 and 2014**

<u>Year Ended December 31, 2015</u>	<u>Ronald McDonald House</u>	<u>Ronald McDonald Family Room</u>	<u>Ronald McDonald Care Mobile</u>	<u>RMHC Local Chapter Support and Grants</u>	<u>Total Support of RMHC Local Chapters</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
<i>(In Thousands)</i>											
Grants	\$ 3,302	\$ 1,184	\$ 419	\$ 22,434	\$ 27,339	\$ 467	\$27,806	\$ -	\$ -	\$ -	\$ 27,806
Professional fees	-	-	17	3,043	3,060	25	3,085	674	2,387	3,061	6,146
Donated services and occupancy	-	-	-	1,544	1,544	-	1,544	1,399	924	2,323	3,867
Travel, meetings and conferences	-	-	-	1,775	1,775	1	1,776	132	655	787	2,563
Advertising	-	-	-	-	-	-	-	10	1,358	1,368	1,368
Other	-	-	41	2,607	2,648	11	2,659	85	1,353	1,438	4,097
<b>TOTAL EXPENSES</b>	<b><u>\$ 3,302</u></b>	<b><u>\$ 1,184</u></b>	<b><u>\$ 477</u></b>	<b><u>\$ 31,403</u></b>	<b><u>\$ 36,366</u></b>	<b><u>\$ 504</u></b>	<b><u>\$36,870</u></b>	<b><u>\$ 2,300</u></b>	<b><u>\$ 6,677</u></b>	<b><u>\$ 8,977</u></b>	<b><u>\$ 45,847</u></b>

<u>Year Ended December 31, 2014</u>	<u>Ronald McDonald House</u>	<u>Ronald McDonald Family Room</u>	<u>Ronald McDonald Care Mobile</u>	<u>RMHC Local Chapter Support and Grants</u>	<u>Total Support of RMHC Local Chapters</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
<i>(In Thousands)</i>											
Grants	\$ 8,159	\$ 1,322	\$ 799	\$ 13,311	\$ 23,591	\$ 2,760	\$26,351	\$ -	\$ -	\$ -	\$ 26,351
Professional fees	-	-	8	2,484	2,492	13	2,505	653	2,390	3,043	5,548
Donated services and occupancy	61	45	44	1,431	1,581	45	1,626	1,507	1,130	2,637	4,263
Travel, meetings and conferences	13	10	8	949	980	4	984	123	558	681	1,665
Advertising	-	-	-	-	-	-	-	-	743	743	743
Other	-	-	26	473	499	5	504	734	1,032	1,766	2,270
<b>TOTAL EXPENSES</b>	<b><u>\$ 8,233</u></b>	<b><u>\$ 1,377</u></b>	<b><u>\$ 885</u></b>	<b><u>\$ 18,648</u></b>	<b><u>\$ 29,143</u></b>	<b><u>\$ 2,827</u></b>	<b><u>\$31,970</u></b>	<b><u>\$ 3,017</u></b>	<b><u>\$ 5,853</u></b>	<b><u>\$ 8,870</u></b>	<b><u>\$ 40,840</u></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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
	<i>(In Thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (10,800)	\$ (2,306)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized losses on investments	3,604	2,637
Contributions of common stock	(70)	(357)
Bad debt	3	625
Amortization	218	255
Effects of changes in operating assets and liabilities:		
Contributions receivable	(1,512)	2,858
Other assets	(43)	(47)
Accounts payable	(27)	64
Grants payable	(1,252)	(5,546)
Intermediary third party liability	<u>(62)</u>	<u>32</u>
Net cash used in operating activities	<u>(9,941)</u>	<u>(1,785)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(31,841)	(31,318)
Proceeds from sale of investments	38,260	30,084
Purchases of software	<u>(8)</u>	<u>(79)</u>
Net cash provided by (used in) investing activities	<u>6,411</u>	<u>(1,313)</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 (3,530)	 (3,098)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 <u>6,286</u>	 <u>9,384</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u>\$ 2,756</u>	 <u>\$ 6,286</u>
 <b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Noncash investing and financing activities	<u>\$ -</u>	<u>\$ -</u>

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



**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

**Organization**

Ronald McDonald House Charities, Inc. (RMHC) is an Illinois nonprofit charitable corporation formed on September 7, 1977. 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 RMHC Local Chapters (Chapters) worldwide. In addition, RMHC awards grants to other organizations that positively impact the health and well-being of children.

Ronald McDonald House Charities is a system of independent, separately registered public benefit organizations, referred to as “Chapters” by RMHC. Each Chapter is licensed by McDonald’s Corporation and RMHC to use RMHC related trademarks in conjunction with fundraising activities and the operation of its programs; the license agreement also sets standards of operations for programs, governance, finance, branding and reporting. Collectively, RMHC and the network of local Chapters ascribe to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

RMHC ensures delivery of the mission across the globe. As a center of excellence, RMHC builds and sustains a robust infrastructure of support to the network of Chapters, including operations, licensing and compliance, finance, risk management, communications, marketing and development. Following are the program activities operated by RMHC:

**Support of RMHC Local Chapters:**

- *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 Family Room*
  - RMHC provides grants for new Ronald McDonald Family Room programs, which offer 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.
- *Ronald McDonald Care Mobile*
  - RMHC developed and continues to support mobile pediatric health care services to children in underserved areas of the world by funding the capital build for all new Ronald McDonald Care Mobiles. 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.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

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

- *RMHC Local Chapter Support and Grants*
  - *Capacity Building*
    - 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; investment in environmental sustainability activities such as energy audits, water and waste efficiency projects at Ronald McDonald House programs; 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 four scholarship programs: RMHC/HACER, RMHC/ASIA, RMHC/Future Achievers, and RMHC Scholars that assist graduating high school seniors with their first year of college or university education. RMHC also directly matches scholarships awarded by U.S. Chapters through these programs.
  - *General RMHC and Other Program Support*
    - RMHC provides expertise in all aspects of the three core program operations, other program development, and nonprofit management for its Chapters worldwide. Support also includes general program support grants.

**Other Programs:**

RMHC provides funding to other organizations to address the needs of children throughout the world. These efforts are directed in two areas: access to quality health care, with special focus on oral health in the U.S. and maternal/child health in Africa, South Asia and Latin America.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

**Basis of Presentation**

The financial statements of RMHC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and are presented on the basis of unrestricted, temporarily restricted, 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.

**Estimates**

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.

**Contributions Receivable**

Contributions receivable are unconditional promises to give. RMHC has received unconditional promises to give consisting of pledges, bequests, and split-interest agreements. 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 received. The discount rates used were between 0.90% to 2.00% for both 2015 and 2014. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

Contributions receivable also include the value of various split interest agreements. 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 2015 and 2014. 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.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

**Contributions Receivable** (continued)

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.

**Cash Surrender Value of Life Insurance**

RMHC carries the value of contributed life insurance policies at cash surrender value, which approximates fair value in the statements of financial position.

**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, 2015 and 2014 is as follows:

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<i>(In Thousands)</i>	
Software and web enhancements	\$ 1,876	\$ 1,868
Accumulated amortization	<u>(1,715)</u>	<u>(1,497)</u>
<b>Total</b>	<b><u>\$ 161</u></b>	<b><u>\$ 371</u></b>

The net book value of software costs are reported in other assets on the statements of financial position.

**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.

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.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

**Donated Assets, Software, and Services**

Donated marketable securities, software, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, RMHC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RMHC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by RMHC. RMHC also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

**Net Assets**

RMHC's net assets and changes therein are classified and reported as follows:

**Unrestricted**

Net assets that are not subject to donor-imposed restrictions or law.

**Temporarily Restricted**

Net assets subject to restrictions imposed by donor or law that may be met either by actions of RMHC or the passage of time.

**Permanently Restricted**

Net assets subject to donor-imposed stipulations that they may be maintained permanently by RMHC.

RMHC does not have permanently restricted net assets as of December 31, 2015 and 2014.

**Revenue Recognition**

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

**Expense Allocation**

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

**Income Tax Status**

RMHC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to RMHC's tax-exempt purpose is subject to taxation as unrelated business income. In addition, RMHC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

RMHC 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. Income taxes for unrelated business income were less than \$1,000 for the year ended December 31, 2015 and \$5,000 for the year ended December 31, 2014.

**Reclassifications**

Certain amounts have been reclassified for the year ended December 31, 2014 to conform with the presentation for the year ended December 31, 2015.

**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

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

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<i>(In Thousands)</i>	
Amounts due in:		
Less than one year	\$ 8,274	\$ 5,558
One to five years	2,820	3,808
More than five years	188	440
Total	11,282	9,806
Unamortized discount	(251)	(284)
Allowance for uncollectibles	(81)	(81)
<b>Net contributions receivable</b>	<b>\$ 10,950</b>	<b>\$ 9,441</b>

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**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 2015 and 2014. There has been no change in valuation techniques from the prior year.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

Fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

	<u>Cost</u>	<u>Fair Value/ Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
			<i>(In Thousands)</i>		
<b>Investments</b>					
Investments recorded at fair value:					
Mutual bond fund	\$ 3,145	\$ 3,136	\$ 3,136	\$ -	\$ -
Common stock:					
McDonald's Corporation	2,314	11,868	11,868	-	-
Global balanced asset funds	92,926	89,315	89,315	-	-
Mutual commodity fund	<u>6,952</u>	<u>5,956</u>	<u>5,956</u>	<u>-</u>	<u>-</u>
Total investments recorded at fair value	105,337	110,275	<u>\$ 110,275</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not recorded at fair value:					
Private equity	<u>1,410</u>	<u>1,410</u>			
<b>Total investments</b>	<u>\$ 106,747</u>	<u>\$ 111,685</u>			
Other assets recorded at fair value:					
Life insurance policies		\$ 891	\$ -	\$ 891	\$ -
Split-interest agreements		<u>404</u>	<u>-</u>	<u>-</u>	<u>404</u>
<b>Total</b>		<u>\$ 1,295</u>	<u>\$ -</u>	<u>\$ 891</u>	<u>\$ 404</u>

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

Balance, beginning of year	\$ 448
Payments received	(48)
Change in value	<u>4</u>
<b>Balance, end of year</b>	<u>\$ 404</u>



**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**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>	<u>Level 2</u>	<u>Level 3</u>
	<i>(In Thousands)</i>				
<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	<u>2,314</u>	<u>9,413</u>	<u>9,413</u>	<u>-</u>	<u>-</u>
Total common stock	16,787	25,633	18,605	7,028	-
Global balanced asset funds	68,904	77,502	77,502	-	-
Mutual commodity fund	<u>7,608</u>	<u>6,793</u>	<u>6,793</u>	<u>-</u>	<u>-</u>
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	<u>1,770</u>	<u>1,770</u>			
<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		<u>448</u>	<u>-</u>	<u>-</u>	<u>448</u>
<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, 2015 and 2014**

**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:

	<u>2015</u>	<u>2014</u>
	<i>(In Thousands)</i>	
<b><u>Private Equity Funds</u></b>		
Capital commitment	\$ 6,000	\$ 6,000
Unfunded commitments	\$ 658	\$ 665
Fair value	\$ 2,760	\$ 3,382
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:

	<u>2015</u>	<u>2014</u>
	<i>(In Thousands)</i>	
Amounts due in:		
Less than one year	\$ 4,340	\$ 5,614
Less unamortized discount	<u>-</u>	<u>(22)</u>
<b>Net grants payable</b>	<u>\$ 4,340</u>	<u>\$ 5,592</u>

There were \$9,500,000 and \$11,500,000 in contingent grants at December 31, 2015 and 2014, respectively. Contingent grants represent grants that have been approved by the board, but which will only be paid once certain criteria have been met.

**RONALD MCDONALD HOUSE CHARITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 5 - DONATED GOODS AND SERVICES**

RMHC received total donated goods and services of \$4,733,000 and \$5,572,000, for the years ended December 31, 2015 and 2014, 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 \$4,100,000 and \$4,470,000, for the years ended December 31, 2015 and 2014, respectively.

**NOTE 6 - 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 \$3,131,000 and \$3,807,000, during the years ended December 31, 2015 and 2014, 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 2015, no grants were provided to charities that had RMHC directors or officers as members of the board. In 2014, one charity received \$25,000 in grants where an RMHC officer and director was also a director of the charity. 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, 2015 and 2014, RMHC received \$5,979,000 and \$5,540,000, respectively, from U.S. Chapters for shared fundraising efforts.

**NOTE 7 - CONCENTRATIONS**

Contributions totaling \$5,800,000 and \$6,200,000, primarily made up of donated goods and services, were received from one donor during the years ended December 31, 2015 and 2014, respectively. This represents 16% and 17% of total revenues, of which \$1,283,000 and \$1,242,000 are included in contributions receivable as of December 31, 2015 and 2014, respectively.

**NOTE 8 - SUBSEQUENT EVENT DISCLOSURES**

Management evaluated subsequent events through May 4, 2016, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

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