

RONALD McDONALD HOUSE CHARITIES (“RMHC”) Travel and Entertainment Reimbursement Policy (the “Policy”)

PURPOSE

As a non-profit organization dedicated to improving the lives of children, stewardship of our resources is essential. The purpose of this Policy is to:

- provide guidance on appropriate business travel procedures to RMHC travelers,
- describe the types of travel and entertainment expenditures that are and are not reimbursable by RMHC, and
- inform travelers of their responsibilities to control and report travel and other expenses.

While this Policy is intended to be comprehensive, it is impossible to anticipate every situation encountered. It is expected that this Policy be applied on a conservative basis that is consistent with normal living standards and, when the Policy may not be explicit, review the potential expense with the appropriate member of the RMHC team.

APPLICABILITY

Except as provided below, this Policy shall apply to all RMHC trustees, advisors, consultants and others who are requested by RMHC management to incur expenditures on behalf of RMHC (collectively referred to as “applicable persons” throughout this document). A copy of this Policy will be made available to all applicable persons.

BUSINESS PURPOSE

A documented business purpose is required for expenses incurred by an applicable person for each business trip taken on behalf of RMHC. A “business purpose” is defined as “the business reason for or the nature of the business benefit derived or expected to be derived from travel and entertainment expenses”.

In order for business travel and business meal expenses to qualify as nontaxable eligible business expenses to applicable persons and not taxable income to them, the IRS requires that such business and meal expenses be substantiated pursuant to an accountable plan. An accountable plan is a reimbursement or allowance arrangement that:

1. shows a business connection,
2. requires the applicable person to account for these expenses within a reasonable period of time, and
3. requires the applicable person to return any excess reimbursement or allowance within a reasonable period of time.

Expenses submitted for reimbursement will meet the above substantiation requirements if the applicable person completes an expense report and attaches all documentation as soon as possible but within **30** days of completion of travel or occurrence of

expense.

CONTROL OF TRAVEL EXPENSES

It is essential that continuing, consistent control be exercised over travel expenses. Control of travel expenses is the responsibility of each applicable person incurring the expense and each person who authorizes and approves expenditures.

Approval of expenses submitted for reimbursement is more than a formality. Persons who authorize and approve expenditures are expected to verify the following:

- The purchase is appropriate, business related, the cost is reasonable and all receipts are attached. The business nature of the expense must be noted on the expense report.
- Hotel and meal expenses are consistent with this Policy. The CEO of RMHC (CEO) must approve exceptions, with explanations provided on the expense report.

To help control travel costs, all applicable persons are expected to:

- exercise good judgment with respect to their expenses
- check for accuracy of the bills and other documents
- report all expenses promptly (within 30 days) with the appropriate documentation.
- claim reimbursement for necessary and reasonable expenses only. Travelers are expected to neither lose nor gain financially.

Violations to this Policy, misappropriation of funds or altering or providing false receipts will be immediately reported to the CEO and will be grounds for immediate dismissal.

BUSINESS TRAVEL AWAY FROM HOME

Travel expenses are the ordinary and necessary expenses of traveling away from home for business purposes. In order for applicable persons to be reimbursed for business travel expenses and not be reportable gross income to them, the expenses must be incurred while the applicable person is traveling away from home and cannot be lavish or extravagant under the circumstances.

An applicable person is traveling away from home if:

- 1) The applicable person's duties require him/her to be away from the general area of the tax home substantially longer than an ordinary day's work, **and**
- 2) The applicable person needs to sleep or rest to meet the demands of the work while away from home. This generally results in an overnight stay.

If an applicable person is away from home for business travel, then travel (including air and ground transportation), lodging, meals and incidentals will be reimbursed as business expenses as long as such are not lavish and extravagant under the circumstances.

Transportation - Air, Personal and Rental Automobiles, Parking

Air Travel

All flights must be booked at the lowest logical available airfare that meets the business requirements of the trip.

Other Air Travel Policies

Booking Travel Reservations – Generally, travel reservations must be made as far in advance of the required day of departure as possible to take advantage of discounted airfares. Flight reservations must be made as early as possible, but no less than seven (7) days in advance, unless extenuating circumstances do not allow for the advanced booking.

Traveler Mileage Discount Promotions - Travelers may not specify particular airlines to accumulate mileage on promotion plans unless fares on these airlines are consistent with the lowest logical fare available.

Weekend Travel – A traveler may elect to achieve a lower overall trip cost through the use of restricted discounted air fares by extending the trip for a certain duration (e.g., a weekend), at the beginning or end of a trip. RMHC will reimburse hotel and reasonable meal expenses incurred for this extension, however, such “extra” expenses are not to exceed the amount of savings realized from the discounted airfare. Only expenses actually incurred will be reimbursed. Travelers using this option will be required to provide a written analysis of the airfare savings. Documentation of the amount of savings must be obtained from the travel agency and included on the travel itinerary.

Refunds or Unused Tickets – If travel plans change, and tickets will not be or are not used, the traveler must notify the travel agent that booked the travel or the airline directly. Airline regulations have changed and occasionally tickets may be transferred to another traveler (with a fee) only prior to the travel date booked on the original ticket. Refunds on unused tickets are generally no longer permitted. You must check with the airline to see if your ticket qualifies.

Trip Insurance - Any purchase of flight or luggage insurance is a personal expense to the traveler and is not reimbursable.

Travel Restrictions

Class of Airline Service – RMHC travelers are only authorized to fly coach class for all travel equivalent to or less than six hours. For international flights, RMHC travelers are allowed to fly business class but only if the flight time exceeds six hours. Upgrades to first class are the financial responsibility of the traveler.

Use of Private Aircraft on RMHC Business - Applicable persons shall not pilot, charter, lease or rent private aircrafts while on RMHC business or in support of any activity related to RMHC.

Use of Donated Miles – Airlines and their customers contribute unused frequent flyer miles to RMHC. The use of these miles is limited to those individuals traveling on behalf

of RMHC and anyone that is utilizing the services provided by the charity.

Automobile Rentals

Rental vehicles normally should not be used unless the cost is less than that of other available transportation such as taxis or airport shuttle bus services, or when circumstances make a rental car the most reasonable means of transportation. Depending on the length of stay, limousines and taxis may be more cost-effective alternatives to car rental, especially in destinations where parking accommodations are limited and expensive (i.e., Chicago, New York City, Philadelphia).

RMHC standard for rental cars is “mid-sized” or “intermediate” unless the number of people traveling together or the nature of the work requires a guaranteed larger vehicle.

Applicable persons may not rent vehicles while on RMHC business unless they have physical damage insurance coverage.

Personal Automobile

RMHC will reimburse an applicable person’s out-of-town travel via personal automobile at the mileage rate allowed by the IRS. The Finance team will advise travelers of changes in the rate and the effective date of the change.

- Local personal automobile travel expenses, including tolls, parking, etc., incurred by applicable persons between their home and RMHC’s main office are not reimbursable, even when incurred outside normal working hours.

Mileage to and from the airport, parking fees and toll charges will be reimbursed. If the trip is two (2) days or less, parking at the airport will be reimbursed at the short-term rate. If the trip is more than two (2) days, airport parking will be reimbursed only at long-term airport parking rates for the duration of the time the car is parked at the airport. Offsite parking will be fully reimbursed.

An applicable person driving their personal automobile on RMHC business must have a valid driver’s license and proof of current personal automobile liability insurance. This information is requested as necessary from applicable persons who regularly drive on RMHC business. Those who cannot provide this information may not drive on RMHC business or be reimbursed for any auto-related expenses.

IMPORTANT NOTE: In the event of an accident, RMHC will cover the deductible for the applicable person’s personal automobile insurance up to \$500, only if the accident occurred while on RMHC business.

Fines and other expenses incurred as a result of traffic violations while on company business are the personal responsibility of the violator.

Airport Shuttle, Taxi and Limousines

Applicable persons will be reimbursed for the cost of transportation to and from airports (including applicable tips) and all other public transportation costs incurred during the course of business. Travelers must choose the mode of transportation that is the most efficient and cost-effective for their particular situation. ***For example, the use of personal or company cars and incurring airport parking fees may be less expensive than taking a taxi/limousine depending on the trip length.***

Travel with Non-RMHC Companions

RMHC will only reimburse the travel expenses for RMHC applicable persons. Expenses of others (spouses, children, friends, etc.) are not reimbursable.

Lodging - Selection, Reservation and Groups Hotel and Room

Selection

A single room in a business-class hotel/motel is RMHC's standard. Multi-room suites or luxury accommodations cannot be reimbursed unless there is a specific business purpose and there is approval from the CEO.

Applicable persons should stay in hotels where negotiated rates are available. RMHC travelers are expected to maximize donor dollars when booking rooms.

Connectivity Reimbursement

Applicable persons will be reimbursed for wireless laptop and high speed connectivity charges, when traveling on RMHC business.

Business Meals when Traveling

The costs of meals, including tips, incurred while away from home on overnight trips or an extended day trip will be reimbursed as business travel expenses. Alcoholic beverages are considered personal expenses and will not be reimbursed.

While out of town on business travel, applicable persons may expense the actual, reasonable cost of meals.

When attending a convention or group meeting, applicable persons are encouraged to participate in group meals provided at the event whenever possible. When eating with other applicable persons while away on business, one applicable person may pay for and request reimbursement for the meal.

Business Meeting/Entertainment

Meal expenses incurred while conducting a meeting or entertainment activity with a business associate or volunteer are reimbursable if they meet the IRS test for establishing a business reason(s) for the meeting. According to the IRS, to constitute deductible business meeting/entertainment expenses, a meal expense must meet at least one of the following tests:

- 1) Directly-related test:

- Main purpose of meal was the active conduct of business and
- You did engage in business with the person during the meal and
- You had more than a general expectation of getting income or some other specific business benefit.

Note, if the meals took place in a clear business setting and are for business purposes, the meal expenses are considered directly related to business and will meet the directly-related test without additionally meeting the above three (3) criteria. An example is meals provided in a hospitality room at a convention where business is created through the display or discussion of business products and services.

2) Associated test:

- Meals associated with your trade or business and
- Meals directly preceding or following a substantial business discussion.

If the meal does not meet at least one of these tests, it will NOT be reimbursed.

Non-Allowable Expenses

RMHC will reimburse applicable persons for all reasonable and necessary expenses incurred when traveling on RMHC business. However, there are specific types of expenses that are considered to be of a personal nature and are not reimbursable.

The following personal expenses are not reimbursable:

- gifts to applicable persons
- flowers
- barber, manicurist, shoeshine, masseur
- personal credit card membership dues, fees or charges including liability insurance for lost card use by a third party
- newspapers or other personal reading materials while traveling
- gasoline, repairs, maintenance, or insurance on personal vehicles used during business travel (The mileage reimbursement covers these items)
- theater, pay-per-view movies, or other personal amusements, including hotel movies and games
- transportation to and from home to regular or temporary transfer place of work
- tuxedo, gowns or other formal wear
- unauthorized club or other membership dues, subscriptions or fees
- unauthorized trips, entertainment, gifts, or donations
- car rental over midsize vehicle model unless necessary under circumstances
- laundry or dry cleaning, unless extenuating circumstances
- fees for traffic violations, including parking or moving violations

Expense Reimbursement Reporting and Processing

Trustees should submit an expense report and supporting documentation for reimbursement to the RMHC Administrator.

Other applicable persons should submit expenses for reimbursement to the member of RMHC management who authorized the expenditure and include the following information as follows:

Transportation:

Air Travel -- Original receipts for all air travel expenses, with proof of payment and proof of travel, must be presented for reimbursement. A copy of the complete itinerary and e-ticket receipt must be included when submitting expenses for reimbursement.

Rental Vehicle Travel – If approved, original receipts from rental vehicles must be presented for reimbursement.

Personal Vehicle Travel-Miles traveled in a personal vehicle must be documented for reimbursement. This documentation must include all locations visited. Undocumented mileage will not be reimbursed.

Lodging:

Original receipts for hotel/lodging, with proof of payment and proof of travel must be presented for reimbursement.

Meals:

To support the business nature of meals incurred on business travel and/or as part of business meetings/entertainment, the IRS requires the following documentation:

1. All names and titles of the individual(s) who attended the meal.
2. The amount of the meal.
3. The date of the meal and the name and location of the establishment (Original restaurant receipt is required for all meals).
4. The business reason or business benefit expected to be derived from the business meeting/entertainment.

Individuals submitting expenses for reimbursement assume responsibility for the following:

- compliance with this Policy
- that all original, detailed receipts and proofs of payment are attached
- business meetings are fully documented including names and titles

An applicable person may not approve his or her own expense reimbursement. For example, an applicable person may not approve seminars, professional memberships or hotel stays for himself or herself. The appropriate person from RMHC Management must approve these expenditures.

The RMHC Finance team has been directed to reject any request for expense reimbursement that:

1. does not have all required documentation
2. is not properly approved by RMHC management
3. does not comply with this Policy.

The Finance team will process requests for reimbursement and make payments to an applicable person in a timely manner. In the event that the Finance team and applicable person disagree on repayment of an expense, the matter will be turned over to the CEO for a final determination.