

**Ronald McDonald House Charities® of
Chicagoland and Northwest Indiana**

**Financial Report
December 31, 2010**

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

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Independent Auditor's Report

To the Board of Directors
Ronald McDonald House Charities® of
Chicagoland and Northwest Indiana

We have audited the accompanying statement of financial position of Ronald McDonald House Charities® of Chicagoland and Northwest Indiana (RMHC-CNI) as of December 31, 2010 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the RMHC-CNI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities® of Chicagoland and Northwest Indiana at December 31, 2010 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 23, 2011

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Financial Position December 31, 2010

	Assets			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Cash	\$ 3,795,442	\$ 915,018	\$ -	\$ 4,710,460
Investments	33,941	28,197	1,196,310	1,258,448
Contributions receivable	190,822	8,224,967	-	8,415,789
Prepaid expenses	231,873	-	-	231,873
Property and equipment - Net	25,996,070	-	-	25,996,070
Total assets	\$ 30,248,148	\$ 9,168,182	\$ 1,196,310	\$ 40,612,640
	Liabilities and Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities				
Accounts payable	\$ 205,007	\$ -	\$ -	\$ 205,007
Related party payable	349,173	-	-	349,173
Advance on contractual proceeds	400,000	-	-	400,000
Accrued expenses	394,892	-	-	394,892
Total liabilities	1,349,072	-	-	1,349,072
Net Assets	28,899,076	9,168,182	1,196,310	39,263,568
Total liabilities and net assets	\$ 30,248,148	\$ 9,168,182	\$ 1,196,310	\$ 40,612,640

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Activities and Changes in Net Assets Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Public support:				
Fundraising events	\$ 3,877,343	\$ 487,456	\$ -	\$ 4,364,799
Less direct fundraising costs	(1,016,455)	-	-	(1,016,455)
Net fundraising events	2,860,888	487,456	-	3,348,344
Contributions	1,753,226	8,438,588	-	10,191,814
In-kind contributions	88,891	-	-	88,891
Other revenue:				
Room rental and house operations	141,668	-	-	141,668
Net unrealized gain on investments	128,067	8,047	-	136,114
Dividends and interest	10,693	-	-	10,693
Total revenue and support	4,983,433	8,934,091	-	13,917,524
Net Assets Released from Restrictions	-	234,091	(234,091)	-
Total revenue, support, and net assets released from restrictions	4,983,433	9,168,182	(234,091)	13,917,524
Expenses				
Program services:				
House operations	3,165,905	-	-	3,165,905
Grants and scholarships	308,258	-	-	308,258
Total program services	3,474,163	-	-	3,474,163
Support services:				
Management and general	638,282	-	-	638,282
Fundraising	693,618	-	-	693,618
Remittances to RMHC, Inc.	191,707	-	-	191,707
Total support services	1,523,607	-	-	1,523,607
Total expenses	4,997,770	-	-	4,997,770
Increase (Decrease) in Net Assets	(14,337)	9,168,182	(234,091)	8,919,754
Net Assets - Beginning of year	28,913,413	-	1,430,401	30,343,814
Net Assets - End of year	<u>\$ 28,899,076</u>	<u>\$ 9,168,182</u>	<u>\$ 1,196,310</u>	<u>\$ 39,263,568</u>

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Functional Expenses Year Ended December 31, 2010

	Program Services			Support Services			Total Expenses
	House Operations	Grants and Scholarships	Total	Fundraising	Management and General	Total Support Services	Total
Salaries	\$ 1,005,694	\$ 27,904	\$ 1,033,598	\$ 562,095	\$ 192,061	\$ 754,156	\$ 1,787,754
Payroll taxes and other related expenses	237,029	6,618	243,647	131,523	43,369	174,892	418,539
Total salaries and related expenses	1,242,723	34,522	1,277,245	693,618	235,430	929,048	2,206,293
Employee activities	3,503	-	3,503	-	15,405	15,405	18,908
Printing and copying	4,701	-	4,701	-	30,873	30,873	35,574
Publications	1,199	-	1,199	-	9,765	9,765	10,964
Computer expense	38,121	-	38,121	-	1,041	1,041	39,162
Bank charges	-	-	-	-	55,907	55,907	55,907
Scholarships	-	195,736	195,736	-	-	-	195,736
Professional fees	162,783	-	162,783	-	2,881	2,881	165,664
Supplies	37,761	-	37,761	-	12,178	12,178	49,939
Communication and advertising	79,413	-	79,413	-	19,967	19,967	99,380
Insurance	-	-	-	-	70,283	70,283	70,283
Real estate taxes	60,000	-	60,000	-	-	-	60,000
Repairs and maintenance	200,826	-	200,826	-	230	230	201,056
Rentals	13,725	-	13,725	-	77,384	77,384	91,109
Telephone	34,473	-	34,473	-	2,999	2,999	37,472
Utilities	162,389	-	162,389	-	609	609	162,998
Special events	15,740	-	15,740	-	157	157	15,897
Postage and delivery	7,875	-	7,875	-	12,551	12,551	20,426
Meetings and conventions	4,228	-	4,228	-	23,659	23,659	27,887
Miscellaneous	2,120	78,000	80,120	-	33,626	33,626	113,746
Interest	-	-	-	-	33,337	33,337	33,337
Depreciation	1,094,325	-	1,094,325	-	-	-	1,094,325
Total functional expenses	3,165,905	308,258	3,474,163	693,618	638,282	1,331,900	4,806,063
Direct fundraising costs	-	-	-	1,016,455	-	1,016,455	1,016,455
Remittances to RMHC, Inc.	-	-	-	-	-	-	191,707
Total expenses	\$ 3,165,905	\$ 308,258	\$ 3,474,163	\$ 1,710,073	\$ 638,282	\$ 2,348,355	\$ 6,014,225

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Cash Flows Year Ended December 31, 2010

Cash Flows from Operating Activities

Increase in net assets	\$ 8,919,754
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	1,094,325
Settlement of conditions on advance	(1,000,000)
In kind contributions	(88,891)
Net unrealized gains on investments	(136,114)
Contributions restricted for construction of the new Ronald McDonald House	(7,597,598)
Amortization of discount on pledges	(39,073)
Changes in operating assets and liabilities which provided (used) cash:	
Contributions receivable	138,503
Prepaid expenses and other	(10,269)
Accounts payable and related party payable	(1,371)
Accrued expenses	258,351
Net cash provided by operating activities	1,537,617

Cash Flows from Investing Activities

Purchase of property and equipment	(1,183,927)
Purchases from investments	(5,683)
Net cash used in investing activities	(1,189,610)

Cash Flows from Financing Activities

Proceeds from contributions restricted for construction of the new house	4,201,168
Payments on revolving credit facility	(601,173)
Net cash provided by financing activities	3,599,995

Net Increase in Cash

3,948,002

Cash - Beginning of year

762,458

Cash - End of year

\$ 4,710,460

Supplemental Disclosure of Cash Flow Information - Cash paid for interest

\$ 33,337

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - Ronald McDonald House Charities® of Chicagoland and Northwest Indiana (RMHC-CNI) is a not-for-profit corporation. The mission of RMHC-CNI is to create, find, and support programs that directly improve the health, education, and well being of children. RMHC-CNI fulfills its mission by creating and supporting programs that address targeted needs.

RMHC-CNI consists of four Houses including Ronald McDonald House near Children's Memorial Hospital, Ronald McDonald House near Loyola University Medical Center, Ronald McDonald House near University of Chicago Comer Children's Hospital, and Ronald McDonald House near Advocate Hope Children's Hospital. In addition to the operation of these four Houses, RMHC-CNI offers other types of programs including a Ronald McDonald Care Mobile program and a scholarship program.

In 2008, RMHC-CNI purchased land in Chicago, Illinois near the new Ann & Robert Lurie Children's Hospital for construction of a new Ronald McDonald House (House). This new House is to be funded primarily from contributions from the general public. Construction began in 2010 with a completion date estimated for late 2012.

Significant accounting policies of RMHC-CNI are as follows:

Contributions Receivable - RMHC-CNI's contributions receivable are comprised primarily of pledges committed from various organizations and individual donors for use in RMHC-CNI's activities and for the construction of the new House. Contributions receivable at December 31, 2010 are expected to be collected within one to five years. RMHC-CNI has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Investments - Investments consist of mutual funds and are stated at fair value based on quoted market prices.

Investment income, gains and losses, and any investment-related expenses are recorded as changes in unrestricted net assets in the statement of activities and changes in net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law.

RMHC-CNI's investments are exposed to various risks such as interest rate, market, and credit risks. Due to these risk factors, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported on the statement of financial position.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note I - Nature of Activities and Significant Accounting Policies (Continued)

RMHC-CNI records depreciation using the straight-line and modified accelerated methods based on estimated useful lives ranging from 5 to 39 years. Costs of maintenance and repairs are charged to expense when incurred. Items purchased in connection with construction are capitalized at management discretion based on the nature and estimated useful lives of those items.

RMHC-CNI reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, RMHC-CNI reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property and equipment.

Net Assets - Net assets of RMHC-CNI are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting RMHC-CNI's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets are released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on temporarily or permanently restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Revenue and Support Recognition - Revenue from House operations is recognized as earned.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

**Notes to Financial Statements
December 31, 2010**

Note I - Nature of Activities and Significant Accounting Policies (Continued)

Contributions of cash and other assets, including unconditional promises to give, are reported as revenue in the year pledged. These amounts are recorded at their fair value. Donor promises to give are recorded at the present value of estimated future cash flows. Conditional promises to give are recorded when the conditions in which they depend are met. Contributions that include donor restrictions that limit the use of the gift are recorded as restricted support. When the donor restrictions are fulfilled, temporarily restricted gifts are reclassified as unrestricted activities. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support.

Donated Services - RMHC-CNI receives donations of various services. In accordance with generally accepted accounting standards, these services are recorded in the statement of activities when they meet certain criteria.

A substantial number of volunteers have donated significant amounts of their time to RMCH-CNI's programs and services, which do not meet the requirements to be recorded.

Scholarships - RMHC-CNI awards scholarships to students based on objective measurements and selection criteria. Total scholarships awarded are based on annual budgeted amounts and are matched in part by Global Ronald McDonald House Charities.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Income Taxes - RMHC-CNI is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). RMHC-CNI is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. RMHC-CNI believes it is no longer subject to income tax examinations for years prior to 2007.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including May 23, 2011, which is the date the financial statements were available to be issued.

Note 2 - Contributions Receivable

Included in contributions receivable are unconditional promises to give generated from various donors through fundraising activities and other efforts. Pledge commitments extend through 2015. Contribution receivables as of December 31, 2010 are as follows:

Gross promises to give before unamortized discount	\$ 8,483,374
Less unamortized discount, using discount rates of .78 to 3.38 percent	<u>(67,585)</u>
Net contributions receivable	<u>\$ 8,415,789</u>
Amounts due:	
Within one year	\$ 4,411,703
Within one to five years	<u>4,071,671</u>
Total	<u>\$ 8,483,374</u>

Note 3 - Conditional Promise to Give

In March 2009, RMHC-CNI entered into a pledge agreement with the Children's Memorial Hospital to construct a 90-room Ronald McDonald House near Ann and Robert H. Lurie Children's Hospital of Chicago (the "Project"). In order to support the construction of the Project, Children's Memorial Hospital has agreed to pledge funds towards the Project under certain conditions.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 3 - Conditional Promise to Give (Continued)

According to the terms of the amended agreement, Children's Memorial Hospital is to provide a gift to RMHC-CNI in an aggregate amount of up to \$5,000,000 to be paid over the Project's construction period as certain conditions are met. The initial advance of \$1,000,000, due upon execution of the original agreement, was made in 2009. During the year ended December 31, 2010, RMHC-CNI satisfied all of the conditions necessary to receive the pledge in full. Pledged funds were recognized in entirety in 2010 and included in contributions revenue on the statement of activities and changes in net assets.

Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

Land	\$ 5,590,121
Land improvements	105,800
Buildings	23,657,091
Machinery and equipment	466,047
Transportation equipment	45,335
Furniture and fixtures	2,123,497
Computer equipment and software	57,980
Construction in progress	<u>2,552,705</u>
Total cost	34,598,576
Less accumulated depreciation	<u>(8,602,506)</u>
Net carrying amount	<u>\$ 25,996,070</u>

Depreciation expense for the year ended December 31, 2010 was \$1,094,325. RMHC-CNI has committed to construct a new Ronald McDonald House for an estimated cost of approximately \$32,800,000.

Note 5 - Line of Credit

On December 2, 2010, RMHC-CNI entered into a construction line of credit with a financial institution. RMHC-CNI may draw up to \$23,000,000 to fund construction of the new Ronald McDonald House. Certain financial covenants must be met in order to draw on this line of credit. The drawing period expires on December 2, 2015. Interest rate on this line is LIBOR plus 2 percent prior to September 2, 2012, and LIBOR plus 3.5 percent after September 12, 2012. The line of credit is collateralized by substantially all the assets of RMHC-CNI. As of December 31, 2010, there was no outstanding draws on this line.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 5 - Line of Credit (Continued)

Under a line of credit agreement with a bank, RMHC-CNI had available borrowings of \$1,000,000. The line, which matured in October 2010, bore interest at LIBOR plus 3.30 percent. RMHC-CNI did not renew the credit agreement and there was no outstanding balance due on the line as of December 31, 2010.

Note 6 - Advance on Contractual Proceeds

In December 2008, RMHC-CNI entered into a contract to sell the land and building of Ronald McDonald House near Children's Memorial Hospital for \$5,375,000. RMHC-CNI will continue to occupy and remain in full control of the facility until they vacate the premises per the terms of the sales agreement. As per the terms of the agreement, subject to extension, the sale must take place on or before December 31, 2012.

As part of the contract, RMHC-CNI signed a promissory note with the buyer. The note allows RMHC-CNI to access up to \$4,300,000 of sale proceeds at an annual interest rate of 6 percent.

As of December 31, 2010, amount of advance on contractual proceeds was \$400,000.

Note 7 - Temporarily Restricted Net Assets

RMHC-CNI receives contributions whereon the donor places certain temporary restrictions on the use of the funds. Temporarily restricted net assets at December 31, 2010 are available for the following purposes:

Contributions restricted for construction of the new House and program services	\$ 9,106,044
Contributions restricted for use in House operations	33,941
Time restricted contributions to be used for general support	<u>28,197</u>
Total temporarily restricted net assets	<u>\$ 9,168,182</u>

Note 8 - Permanently Restricted Net Assets

RMHC-CNI's permanently restricted net assets are composed solely of donor-restricted endowment funds. The income on such funds is to be used for support of the RMHC-CNI's programs unless otherwise specified by the donor:

Ronald McDonald House operating expense endowment	\$ 996,250
General support endowment	<u>200,060</u>
Total permanently restricted net assets	<u>\$ 1,196,310</u>

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 9 - Donor-restricted Endowments

RMCH-CNI's permanently restricted net assets are composed solely of donor-restricted endowment funds. These endowments were established to support the ongoing operations of RMHC-CNI. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2010, a donor who made a permanently restrictive pledge in a previous year, notified RMHC-CNI that the donation was to be used for the construction of the new House; thereby releasing the donation from permanently restricted net assets to temporarily restricted net assets. This release is reflected as a decrease in permanently restricted net assets and an increase in temporarily restricted net assets in the statement of activities and changes in net assets.

Interpretation of Relevant Law

The board of directors of RMHC-CNI has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHC-CNI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RMHC-CNI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, RMHC-CNI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of RMHC-CNI and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of RMHC-CNI
- (7) The investment policies of RMHC-CNI

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 9 - Donor-restricted Endowments (Continued)

Permanently Restricted Endowment Net Asset Composition by Type of Fund as of December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,196,310	\$ 1,196,310

Changes in Permanently Restricted Endowment Net Assets for the Fiscal Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ -	\$ -	\$ 1,430,401	\$ 1,430,401
Net realized and unrealized gains on permanently restricted funds	-	138,760	-	138,760
Appropriation of assets for expenditures	-	(138,760)	-	(138,760)
Total released from restrictions	-	-	(234,091)	(234,091)
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,196,310</u>	<u>\$ 1,196,310</u>

Return Objectives and Risk Parameters

RMHC-CNI has adopted investment and spending policy for endowment assets that attempts to provide sufficient liquidity to meet all reasonably anticipated operating requirements while seeking to achieve asset growth of the endowment assets. Endowment assets include those assets of donor-restricted funds that RMHC-CNI must hold in perpetuity. Under this policy, which was approved by the board of directors, the investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of aforementioned safety and liquidity objectives. The investment portfolio is subject to periodic review to ensure this objective is met.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMHC-CNI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMHC-CNI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 9 - Donor-restricted Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy that allows the Organization to appropriate any future interest or investment income generated from the fund.

Note 10 - Related Party Transactions

RMHC-CNI remits 25 percent of the proceeds from certain fundraising events to Global Ronald McDonald House Charities. These payments totaled approximately \$192,000 for the year ended December 31, 2010.

At December 31, 2010, RMHC-CNI had accounts payable to Global Ronald McDonald House Charities totaling approximately \$349,000. The payable is for the drive-through donation canisters installed by Global Ronald McDonald House Charities and is due by December 31, 2011.

Note 11 - Operating Leases

RMHC-CNI is obligated under a certain operating lease for office facilities. Total rent expense under this lease was \$77,384 for the year ended December 31, 2010. Future minimum office space rental costs are \$63,043 and \$64,414 for the years ending December 31, 2011 and 2012, respectively.

The University of Chicago owns the property on which the Ronald McDonald House near University of Chicago Comer Children's Hospital is constructed, and the property where this House was temporarily located. The House committed to a 25-year lease agreement in January 2005 with the University of Chicago to lease the property for \$1 per year.

RMHC-CNI was also granted a 50-year lease on land owned by the United States Veterans Administration and occupied by the Ronald McDonald House near Loyola University Medical Center. The use of land was granted without cost to the Organization. The lease was granted under U.S. Senate Bill No. 677, which was signed into law on October 1, 1993.

In 2006, RMHC-CNI entered into a 25-year lease on land owned by the Oak Lawn Community High School District 229. The land is occupied by the Ronald McDonald House near Advocate Hope Children's Hospital. The lease terms called for a lump-sum payment of \$200,000 upon commencement of the lease. This payment was made by RMHC-CNI in November 2006 and covers the first six years of the lease. The remaining future rental costs equal \$125,000 over the remaining 18 years of the lease. At the conclusion of this 25-year period, the lease contains a renewal clause for an additional 25-year term. RMHC-CNI will recognize rent expense on a straight-line basis over the term of the lease.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 12 - In-kind Donations

Donated items received by RMHC-CNI have been reflected in the financial statements at their estimated fair values.

RMHC-CNI's leases with the University of Chicago and the United States Veterans Administration have actual rental values which are not estimable (see Note 11). As a result, related in-kind contributions and expenses associated with these leases have not been reflected in the financial statements. While gross revenues and expenses would be affected by this amount, if recorded, there would be no net effect on the financial statements.

RMHC-CNI receives volunteer services that are not recordable under generally accepted accounting principles. The value of the volunteer services is not disclosed, as no objective basis is available to measure the value of such services.

Note 13 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about RMHC-CNI's assets measured at fair value on a recurring basis at December 31, 2010 and the valuation techniques used by RMHC-CNI to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. RMHC-CNI's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2010

Note 13 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2010
Investments - Mutual funds:				
Harbor Capital Appreciation Fund	\$ 465,428	\$ -	\$ -	\$ 465,428
Dodge & Cox Stock Fund	427,538	-	-	427,538
Artio International Equity Fund	165,284	-	-	165,284
Perkins MidCap Value Fund	102,810	-	-	102,810
Turner MidCap Growth Fund	97,225	-	-	97,225
Money market fund	163	-	-	163
Total assets	<u>\$ 1,258,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258,448</u>