

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

**Financial Report
December 31, 2011**

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, 2011 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 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, 2011 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

June 8, 2012

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Financial Position December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash	\$ 1,802,198	\$ 31,495	\$ -	\$ 1,833,693
Investments	-	26,447	1,122,080	1,148,527
Due from unrestricted fund	-	1,750	74,230	75,980
Contributions receivable	5,648,051	774,946	-	6,422,997
Prepaid expenses and other	306,051	-	-	306,051
Property and equipment - Net	44,612,295	127,500	-	44,739,795
Total assets	\$ 52,368,595	\$ 962,138	\$ 1,196,310	\$ 54,527,043
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 1,878,497	\$ -	\$ -	\$ 1,878,497
Due to temporarily and permanently restricted funds	75,980	-	-	75,980
Construction contract retainage	1,136,799	-	-	1,136,799
Deposits	50,000	-	-	50,000
Bank line of credit	6,045,618	-	-	6,045,618
Related party payable	3,703	-	-	3,703
Advance on contractual proceeds	400,000	-	-	400,000
Accrued expenses	2,053,102	-	-	2,053,102
Total liabilities	11,643,699	-	-	11,643,699
Net Assets	40,724,896	962,138	1,196,310	42,883,344
Total liabilities and net assets	\$ 52,368,595	\$ 962,138	\$ 1,196,310	\$ 54,527,043

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Activities and Changes in Net Assets Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Public support:				
Fundraising events	\$ 6,566,091	\$ -	\$ -	\$ 6,566,091
Less direct fundraising costs	(3,607,808)	-	-	(3,607,808)
Net fundraising events	2,958,283	-	-	2,958,283
Contributions	4,141,378	900,000	-	5,041,378
In-kind contributions	879,446	-	-	879,446
Other revenue:				
Room rental and house operations	155,159	-	-	155,159
Net unrealized loss on investments	(147,039)	-	-	(147,039)
Dividends and interest	40,008	-	-	40,008
Total revenue and support	8,027,235	900,000	-	8,927,235
Net Assets Released from Restrictions	9,106,044	(9,106,044)	-	-
Total revenue, support, and net assets released from restrictions	17,133,279	(8,206,044)	-	8,927,235
Expenses				
Program services:				
House operations	3,124,072	-	-	3,124,072
Grants and scholarships	297,766	-	-	297,766
Total program services	3,421,838	-	-	3,421,838
Support services:				
Management and general	726,736	-	-	726,736
Fundraising	943,158	-	-	943,158
Remittances to RMHC, Inc.	215,727	-	-	215,727
Total support services	1,885,621	-	-	1,885,621
Total expenses	5,307,459	-	-	5,307,459
Increase (Decrease) in Net Assets	11,825,820	(8,206,044)	-	3,619,776
Net Assets - Beginning of year	28,899,076	9,168,182	1,196,310	39,263,568
Net Assets - End of year	<u>\$ 40,724,896</u>	<u>\$ 962,138</u>	<u>\$ 1,196,310</u>	<u>\$ 42,883,344</u>

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Functional Expenses Year Ended December 31, 2011

	Program Services			Support Services			Total Expenses
	House Operations	Grants and Scholarships	Total Program Services	Fundraising	Management and General	Total Support Services	Total
Salaries	\$ 1,136,469	\$ 50,120	\$ 1,186,589	\$ 744,945	\$ 150,788	\$ 895,733	\$ 2,082,322
Payroll taxes and other related expenses	308,794	13,549	322,343	198,213	39,588	237,801	560,144
Total salaries and related expenses	1,445,263	63,669	1,508,932	943,158	190,376	1,133,534	2,642,466
Employee activities	2,285	-	2,285	-	15,072	15,072	17,357
Printing and copying	6,796	-	6,796	-	46,653	46,653	53,449
Publications	741	-	741	-	8,790	8,790	9,531
Computer expense	49,428	-	49,428	-	1,781	1,781	51,209
Bank charges	-	-	-	-	58,083	58,083	58,083
Scholarships	-	184,097	184,097	-	-	-	184,097
Professional fees	59,706	-	59,706	-	8,449	8,449	68,155
Supplies	82,683	-	82,683	-	16,846	16,846	99,529
Communication and advertising	73,943	-	73,943	-	-	-	73,943
Insurance	-	-	-	-	72,843	72,843	72,843
Real estate taxes	(1,132)	-	(1,132)	-	-	-	(1,132)
Repairs and maintenance	192,859	-	192,859	-	259	259	193,118
Rentals	14,541	-	14,541	-	83,631	83,631	98,172
Telephone	36,743	-	36,743	-	6,601	6,601	43,344
Utilities	173,405	-	173,405	-	4,800	4,800	178,205
Special events	16,374	-	16,374	-	76	76	16,450
Postage and delivery	5,110	-	5,110	-	11,523	11,523	16,633
Meetings and conventions	6,256	-	6,256	-	34,789	34,789	41,045
Miscellaneous	2,019	50,000	52,019	-	41,517	41,517	93,536
Interest	-	-	-	-	36,563	36,563	36,563
Depreciation	957,052	-	957,052	-	-	-	957,052
Provision for doubtful accounts	-	-	-	-	88,084	88,084	88,084
Total functional expenses	3,124,072	297,766	3,421,838	943,158	726,736	1,669,894	5,091,732
Direct fundraising costs	-	-	-	3,607,808	-	3,607,808	3,607,808
Remittances to RMHC, Inc.	-	-	-	-	-	-	215,727
Total expenses	<u>\$ 3,124,072</u>	<u>\$ 297,766</u>	<u>\$ 3,421,838</u>	<u>\$ 4,550,966</u>	<u>\$ 726,736</u>	<u>\$ 5,277,702</u>	<u>\$ 8,915,267</u>

See Notes to Financial Statements.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Cash Flows Year Ended December 31, 2011

Cash Flows from Operating Activities

Increase in net assets	\$ 3,619,776
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	957,052
Bad debt expense	88,084
In-kind contributions	(879,446)
Net unrealized loss on investments	147,039
Amortization of discount on pledges	40,120
Changes in operating assets and liabilities which provided (used) cash:	
Contributions receivable	2,744,034
Prepaid expenses and other	(74,178)
Accounts payable and related party payable	1,328,020
Accrued expenses	1,658,210
Security deposits	50,000
	<hr/>
Net cash provided by operating activities	9,678,711

Cash Flows from Investing Activities

Purchase of property and equipment	(18,563,978)
Purchases from investments	(37,118)
	<hr/>
Net cash used in investing activities	(18,601,096)

Cash Flows from Financing Activities - Proceeds from construction line of credit 6,045,618

Net Decrease in Cash (2,876,767)

Cash - Beginning of year 4,710,460

Cash - End of year \$ 1,833,693

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	\$ 24,334
Significant noncash activities included approximately \$1,136,800 of building construction costs that are retained until project is complete	-

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

**Notes to Financial Statements
December 31, 2011**

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - Ronald McDonald House Charities® of Chicagoland and Northwest Indiana (RMHC-CNI or the "Company") 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 June 2012. Once completed, the current Ronald Mc Donald House near Children's Memorial Hospital will be sold. See Note 4 for additional information on the sale.

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, 2011 are expected to be collected within one to six years. Although RMHC-CNI has recorded a provision for doubtful accounts, it is the opinion of management that all receivables are collectible in full. The provision recorded by management is a general provision for potential future losses and is not allocated to any one contribution.

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.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

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

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

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's 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, 2011

Note 1 - 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 on 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 RMHC-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 the 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 2008.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by RMHC-CNI and recognize a tax liability if RMHC-CNI has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities. Management has analyzed the tax positions taken by RMHC-CNI and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

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 June 8, 2012, 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 2017. Contributions receivable as of December 31, 2011 are as follows:

Gross promises to give before unamortized discount and allowance for doubtful accounts	\$ 6,593,886
Less unamortized discount, using discount rates of .72 percent to 1.44 percent	(107,705)
Less allowance for doubtful pledges	(63,184)
Net contributions receivable	<u>\$ 6,422,997</u>
Amounts due:	
Within one year	\$ 2,774,222
Within one to five years	3,812,522
More than five years	7,142
Total	<u>\$ 6,593,886</u>

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

Note 3 - 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
Canisters	466,047
Transportation equipment	45,335
Furniture and fixtures	2,137,625
Computer equipment and software	57,980
Construction in progress	<u>22,239,354</u>
Total cost	54,299,353
Less accumulated depreciation	<u>(9,559,558)</u>
Net carrying amount	<u>\$ 44,739,795</u>

Depreciation expense for the year ended December 31, 2011 was \$957,052.

RMHC-CNI has committed to construct a new Ronald McDonald House for an estimated cost of approximately \$32,800,000. Subsequent to year end, construction in progress has been completed at a value of approximately \$30,300,000.

Note 4 - Advance on Contractual Proceeds

In December 2008, RMHC-CNI entered into a contract to sell the land and building of the 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. 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, 2011, the amount of advance on contractual proceeds was \$400,000. RMHC-CNI expects to complete the sale in July 2012.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

Note 5 - Debt

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. 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, 2011, the outstanding balance on the line was approximately \$6,045,000. Under the agreement with the bank, RMHC-CNI is subject to certain loan covenants. Subsequent to year end, RMHC-CNI has drawn approximately \$6,890,000 on the construction line of credit, with a total balance of approximately \$12,935,000.

Note 6 - 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, 2011 are available for the following purposes:

Contributions restricted for naming rights to rooms in the new House	\$	900,000
Contributions restricted for use in House operations		33,941
Time restricted contributions to be used for general support		28,197
		<u>28,197</u>
Total temporarily restricted net assets	\$	<u>962,138</u>

Note 7 - Permanently Restricted Net Assets

RMCH-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		200,060
		<u>200,060</u>
Total permanently restricted net assets	\$	<u>1,196,310</u>

Note 8 - 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.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

Note 8 - Donor-restricted Endowments (Continued)

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

Permanently Restricted Endowment Net Asset Composition by Type of Fund as of December 31, 2011

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

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

Note 8 - Donor-restricted Endowments (Continued)

Changes in Permanently Restricted Endowment Net Assets for the Fiscal Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ -	\$ -	\$ 1,196,310	\$ 1,196,310
Net realized and unrealized losses on permanently restricted funds	-	-	(74,230)	(74,230)
Total due from unrestricted assets	-	-	74,230	74,230
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 an 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

Note 9 - 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 \$215,000 for the year ended December 31, 2011.

In 2011, Global Ronald McDonald House Charities made an in-kind contribution of approximately \$116,000 to RMHC-CNI. This contribution was in the form of reducing monies owed by RMHC-CNI for drive-through donation canisters that were installed by Global Ronald McDonald House Charities. RMHC-CNI made payments to Global Ronald McDonald House Charities of approximately \$240,000 for the drive-through donation canisters. At December 31, 2011, RMHC-CNI had remaining accounts payable to Global Ronald McDonald House Charities totaling approximately \$3,700, which is due by December 31, 2012.

Note 10 - Operating Leases

RMHC-CNI is obligated under a certain lease for office facilities. Total rent expense under this lease was \$74,269 for the year ended December 31, 2011. This lease expired on March 31, 2012.

RMHC-CNI entered into a lease for office facilities commencing on April 1, 2012. This lease expires on January 31, 2023.

Future minimum rental payments are as follows:

Years Ending December 31	Amount
2012	\$ 66,427
2013	90,272
2014	92,543
2015	94,814
2016	97,085
Thereafter	639,476
Total	<u>\$ 1,080,617</u>

The University of Chicago owns the property on which the Ronald McDonald House near University of Chicago Comer Children's Hospital is constructed. 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.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

Note 10 - Operating Leases (Continued)

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 Company. 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.

Note 11 - Minimum Future Rentals

RMHC-CNI has entered into two lease agreements as a lessor for space in the new House near Ann & Robert Lurie Children's Hospital. The lease term for each lease is September 15, 2012 through September 14, 2019.

Minimum future rentals to be received on these noncancelable leases as of December 31, 2011 for each of the next five years are:

<u>Years Ending December 31</u>	<u>Amount</u>
2012	\$ 100,375
2013	348,023
2014	361,490
2015	375,523
2016	390,147
Thereafter	<u>1,133,266</u>
Total	<u>\$ 2,708,824</u>

Note 12 - In-kind Donations

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

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Notes to Financial Statements December 31, 2011

Note 12 - In-kind Donations (Continued)

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 10). As a result, related in-kind contributions and expenses associated with these leases have not been reflected in the financial statements. While gross revenue 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 table presents information about RMHC-CNI's assets measured at fair value on a recurring basis at December 31, 2011 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 Company 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, 2011

Note 13 - Fair Value Measurements (Continued)

RMHC-CNI's policy is to recognize transfers in and transfers out of Levels 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no transfers in 2011.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2011

	<u>Level 1</u>
Mutual funds:	
Harbor Capital Appreciation Fund	\$ 286,217
Dodge & Cox Stock Fund	269,690
Artio International Equity Fund	151,496
Perkins MidCap Value Fund	121,704
Turner MidCap Growth Fund	110,330
DFA Emerging Markets	48,105
Manning & Napier World	158,315
Money market fund	162
Common stock - McDonald's Corporation	<u>2,508</u>
Total	<u>\$ 1,148,527</u>