Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Financial Report

December 31, 2013

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Contents

Plante & Moran, PLLC
Suite 200
2155 Point Blvd.
Elgin, IL 60123
Tel: 847.697.6161
Fax: 847.697.6176
plantemoran.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of Ronald McDonald House Charities® of Chicagoland and Northwest Indiana (RMHC-CNI or the "Organization"), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

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 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 auditor's 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.

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 as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 23, 2014

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Financial Position
December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash	$ 875,609	$ 141,610	$ -	$ 1,017,219
Investments	1,297,814	33,450	1,196,310	2,527,574
Contributions receivable - Net	2,697,893	5,088,873	-	7,786,766
Prepaid expenses and other	389,443	-	-	389,443
Asset held for resale	800,000	-	-	800,000
Property and equipment - Net	53,684,188	203,672	-	53,887,860
Total assets	**$ 59,744,947**	**$ 5,467,605**	**$ 1,196,310**	**$ 66,408,862**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 227,858	$ -	$ -	$ 227,858
Long-term debt	5,938,000	-	-	5,938,000
Deferred revenue	49,768	-	-	49,768
Accrued expenses - Net	611,921	-	-	611,921
Total liabilities	6,827,547	-	-	6,827,547
Net Assets				
Unrestricted	52,917,400	-	-	52,917,400
Temporarily restricted	-	5,467,605	-	5,467,605
Permanently restricted	-	-	1,196,310	1,196,310
Total net assets	52,917,400	5,467,605	1,196,310	59,581,315
Total liabilities and net assets	**$ 59,744,947**	**$ 5,467,605**	**$ 1,196,310**	**$ 66,408,862**

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Public support:				
Fundraising events	$ 5,915,559	$ -	$ -	$ 5,915,559
Less direct fundraising costs	(1,259,026)	-	-	(1,259,026)
Net fundraising events	4,656,533	-	-	4,656,533
Contributions	3,795,229	5,400,214	-	9,195,443
In-kind contributions	350,019	-	-	350,019
Other revenue:				
Room rental and house operations	282,067	-	-	282,067
Net realized and unrealized gain on investments	292,337	3,843	-	296,180
Dividends and interest	49,753	-	-	49,753
Loss on asset held for resale	(330,000)	-	-	(330,000)
Rental income	432,848	-	-	432,848
Total revenue and support	9,528,786	5,404,057	-	14,932,843
Expenses				
Program services:				
House operations	5,930,537	-	-	5,930,537
Grants and scholarships	441,484	-	-	441,484
Total program services	6,372,021	-	-	6,372,021
Support services:				
Management and general	1,173,756	-	-	1,173,756
Fundraising	731,797	-	-	731,797
Remittances to RMHC, Inc.	226,558	-	-	226,558
Total support services	2,132,111	-	-	2,132,111
Total expenses	8,504,132	-	-	8,504,132
Increase in Net Assets	1,024,654	5,404,057	-	6,428,711
Net Assets - Beginning of year	51,892,746	63,548	1,196,310	53,152,604
Net Assets - End of year	**$ 52,917,400**	**$ 5,467,605**	**$ 1,196,310**	**$ 59,581,315**

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Functional Expenses
Year Ended December 31, 2013

	Program Services			Support Services			Total Expenses
	House Operations	Grants and Scholarships	Total Program Services	Fundraising	Management and General	Total Support Services	Total
Salaries	$ 1,750,429	$ 68,039	$ 1,818,468	$ 584,830	$ 240,017	$ 824,847	$ 2,643,315
Payroll taxes and other related expenses	449,664	20,191	469,855	146,967	58,594	205,561	675,416
Total salaries and related expenses	2,200,093	88,230	2,288,323	731,797	298,611	1,030,408	3,318,731
Employee activities	804	-	804	-	13,751	13,751	14,555
Printing and copying	9,273	-	9,273	-	17,314	17,314	26,587
Publications	2,033	-	2,033	-	17,214	17,214	19,247
Computer expense	14,446	-	14,446	-	46,475	46,475	60,921
Bank charges	-	-	-	-	64,771	64,771	64,771
Scholarships	-	165,057	165,057	-	-	-	165,057
Grants	-	125,000	125,000	-	-	-	125,000
Professional fees	89,235	-	89,235	-	41,596	41,596	130,831
Supplies	340,459	-	340,459	-	17,525	17,525	357,984
Communication and advertising	2,649	-	2,649	-	139,018	139,018	141,667
Insurance	114,776	-	114,776	-	12,753	12,753	127,529
Real estate taxes	-	-	-	-	68,768	68,768	68,768
Repairs and maintenance	336,619	-	336,619	-	158	158	336,777
Rentals	77,334	-	77,334	-	100,562	100,562	177,896
Telephone	48,467	-	48,467	-	741	741	49,208
Utilities	289,423	-	289,423	-	5,770	5,770	295,193
Special events	25,585	-	25,585	-	10,232	10,232	35,817
Postage and delivery	2,352	-	2,352	-	14,502	14,502	16,854
Meetings and conventions	9,124	-	9,124	-	42,252	42,252	51,376
Miscellaneous	18,943	63,197	82,140	-	31,522	31,522	113,662
Interest	181,636	-	181,636	-	-	-	181,636
Depreciation	2,167,286	-	2,167,286	-	106,791	106,791	2,274,077
Provision for doubtful accounts	-	-	-	-	123,430	123,430	123,430
Total functional expenses	5,930,537	441,484	6,372,021	731,797	1,173,756	1,905,553	8,277,574
Direct fundraising costs	-	-	-	1,259,026	-	1,259,026	1,259,026
Remittances to RMHC, Inc.	-	-	-	-	-	-	226,558
Total expenses	**$ 5,930,537**	**$ 441,484**	**$ 6,372,021**	**$ 1,990,823**	**$ 1,173,756**	**$ 3,164,579**	**$ 9,763,158**

See Notes to Financial Statements.

Ronald McDonald House Charities® of Chicagoland and Northwest Indiana

Statement of Cash Flows
Year Ended December 31, 2013

Cash Flows from Operating Activities	
Increase in net assets	$ 6,428,711
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	2,274,077
Bad debt expense	123,430
In-kind contributions	(350,019)
Net realized and unrealized gain on investments	(296,180)
Loss on asset held for resale	330,000
Amortization of discount on pledges	63,891
Changes in operating assets and liabilities which (used) provided cash:	
Contributions receivable	(3,671,149)
Prepaid expenses and other	(147,605)
Accounts payable and related party payable	(2,310)
Accrued expenses	(85,985)
Security deposits	(50,000)
Deferred revenue	(10,717)
Net cash provided by operating activities	4,606,144
Cash Flows from Investing Activities	
Purchase of property and equipment	(431,778)
Purchases from investments	(888,146)
Net cash used in investing activities	(1,319,924)
Cash Flows from Financing Activities - Payments on long-term debt	(4,321,077)
Net Decrease in Cash	(1,034,857)
Cash - Beginning of year	2,052,076
Cash - End of year	**$ 1,017,219**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 183,953**

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 "Organization") 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 Ann & Robert H. Lurie Children's Hospital of Chicago, 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 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.

During the year, RMHC-CNI entered into an agreement with Cadence Health to construct a new Ronald McDonald House (the "new House") near Central DuPage Hospital in Winfield, Illinois. As part of the agreement, Cadence Health leased the site of the future house to RMHC-CNI (see Note 9). Cadence Health also pledged to contribute 90 percent of total construction costs, up to $5,000,000. RMHC-CNI recorded the $5,000,000 as contribution revenue in 2013 as all of the construction agreements were signed with the architects and contractors, construction of this new House was reasonably assured, and construction costs were expected to exceed the $5,555,555 necessary to realize the entire gift. Construction commenced after the ground-breaking ceremony, which was held on March 18, 2014, and the project is expected to be completed in May 2015. In addition, Cadence Health has also pledged $1,000,000 for the sole purpose of operations of the new Ronald McDonald House near Central DuPage Hospital during the first three years following the completion of construction, payable in annual installments of $333,333. RMHC-CNI will record the $1,000,000 contribution upon the opening of the new House.

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, 2013 are expected to be collected within one to eight 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.

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

Investments - Investments are stated at fair value. The corporate debt security is valued using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discontinued cash flow models, and other pricing models. The equity securities, mutual funds, and money market fund are valued 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.

RMHC-CNI records depreciation using the straight-line method based on estimated useful lives ranging from 3 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.

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

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 and changes in net assets 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.

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.

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

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 2010.

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, 2013, 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 23, 2014, 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 2021. Contributions receivable as of December 31, 2013 are as follows:

Gross promises to give before unamortized discount and allowance for doubtful accounts	$ 7,958,419
Less unamortized discount, using discount rates of .31 percent to 2.72 percent	(95,356)
Less allowance for doubtful pledges	(76,297)
Net contributions receivable	$ 7,786,766
Amounts due:	
Within one year	$ 1,755,560
Within one to five years	6,147,859
More than five years	55,000
Total	$ 7,958,419

Note 3 - Property and Equipment

The cost of property and equipment is summarized as follows:

Land	$ 5,540,121
Land improvements	105,800
Buildings	51,512,603
Canisters	466,047
Transportation equipment	35,055
Furniture and fixtures	5,005,338
Leasehold improvements	71,874
Construction in progress	306,608
Total cost	63,043,446
Less accumulated depreciation	(9,155,586)
Net carrying amount	$ 53,887,860

Depreciation expense for the year ended December 31, 2013 was $2,274,077.

RMHC-CNI has committed to construct a new Ronald McDonald House for an estimated cost of approximately $6,300,000. Subsequent to year end, construction in progress has been completed at a value of approximately $1,600,000.

Note 4 - Debt

On July 23, 2012, RMHC-CNI entered into a draw note with a financial institution. RMHC-CNI may draw up to a maximum of $14,000,000, which is reduced $1,000,000 every six months beginning January 23, 2013 and continuing until the draw note expires on July 23, 2019. The interest rate on the draw note is the 30-day LIBOR plus 1.95 percent (an effective rate of 2.12 percent measured at December 31, 2013) and is reset on the 10th day of each month. The draw note is collateralized by substantially all the assets of RMHC-CNI. As of December 31, 2013, the maximum draw on the note was $12,000,000 and the outstanding balance on the draw note was $5,938,000.

On July 23, 2012, RMHC-CNI entered into a revolving note with a financial institution. RMHC-CNI may draw up to a maximum of $1,000,000 and the note expires on July 23, 2014. Interest rate on the revolving note is the 90-day LIBOR plus 1.95 percent (an effective rate of 2.19 percent measured at December 31, 2013) and is reset on the 10th day of each month. The revolving note is collateralized by substantially all the assets of RMHC-CNI. There were no amounts drawn on the revolving note as of December 31, 2013.

The balance of the above draw note matures as follows:

2017		$ 1,938,000
2018		2,000,000
Thereafter		2,000,000
	Total	$ 5,938,000

Note 5 - 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, 2013 are available for the following purposes:

Contributions restricted for use in house operations	$ 33,941
Time restricted contributions to be used for general support	33,450
Contributions restricted for use in the family enrichment program	15,214
Contributions restricted for naming rights to rooms in the new House	5,385,000
Total temporarily restricted net assets	$ 5,467,605

Note 6 - 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	200,060
Total permanently restricted net assets	$ 1,196,310

Note 7 - Donor-restricted Endowments

RMHC-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.

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 purpose 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

Note 7 - Donor-restricted Endowments (Continued)

Permanently Restricted Endowment Net Asset Composition by Type of Fund as of December 31, 2013

	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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ -	$ 1,196,310	$ 1,196,310
Net realized and unrealized gains, dividends, and interest on permanently restricted funds	-	310,572	-	310,572
Appropriation of endowment assets for expenditure	-	(310,572)	-	(310,572)
Endowment net assets - End of year	$ -	$ -	$ 1,196,310	$ 1,196,310

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.

Note 7 - 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 8 - 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 $226,500 for the year ended December 31, 2013, of which approximately $68,000 is included in accounts payable.

Note 9 - Operating Leases

RMHC-CNI is obligated under a lease agreement for office facilities expiring on January 31, 2023. Total rent expense under this lease was $91,528 for the year ended December 31, 2013.

Future minimum rental payments are as follows:

Years Ending December 31		Amount
2014		$ 92,543
2015		94,814
2016		97,085
2017		99,356
2018		101,627
Thereafter		438,492
	Total	$ 923,917

RMHC-CNI was 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.

The University of Chicago owns the property on which the Ronald McDonald House near University of Chicago Comer Children's Hospital is constructed. RMHC-CNI committed to a 25-year lease agreement in 2005 to lease the property for $1 per year.

Note 9 - Operating Leases (Continued)

The Oak Lawn Community High School District 229 owns the property on which the Ronald McDonald House near Advocate Hope Children's Hospital is constructed. RMHC-CNI committed to a 25-year lease agreement in 2006. The lease terms called for a $200,000 payment upon commencement of the lease, a $100,000 payment in year seven of the lease, and a $25,000 payment in year 20 of the lease. The $100,000 payment was made during 2013. At the conclusion of this 25-year period, the lease contains a renewal clause for an additional 25-year term. RMHC-CNI is recognizing rent expense on a straight-line basis over the term of the lease.

Cadence Health owns the property on which the new Ronald McDonald House near Cadence Health - CDH Campus is being constructed. RMHC-CNI committed to a 25-year lease agreement in 2013 to lease the property for $1 per year. The lease contains a renewal clause for an additional 25-year term.

Note 10 - 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 from September 15, 2012 through September 14, 2019. The leases also require the tenants to pay operating expenses which are included in RMHC-CNI's rental income. Total rental income recognized under these leases was $426,348 for the year ended December 31, 2013.

Minimum future rentals to be received on these noncancelable leases as of December 31, 2013 for each of the next five years are as follows:

Years Ending December 31		Amount
2014		$ 358,892
2015		372,795
2016		387,282
2017		402,379
2018		418,114
Thereafter		304,293
	Total	$ 2,243,755

Note 11 - In-kind Donations

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

Note 11 - In-kind Donations (Continued)

RMHC-CNI's leases with the University of Chicago, the United States Veterans Administration, and Cadence Health have actual rental values which are not estimable (see Note 9). 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 increase in net assets.

Note 12 - Concentration of Credit Risk and Market Concentration

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash deposits with high-quality financial institutions; however, deposits regularly exceed FDIC limits.

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, 2013 and the valuation techniques used by RMHC-CNI to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that RMHC-CNI 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 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 whereby 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.

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 2013.

Other depository accounts in the amount of $796,618 as of December 31, 2013 are not required to be disclosed under this accounting standard, but are classified as investments on the RMHC-CNI's statement of financial position.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2013

	Level 1	Level 2	Level 3	Balance at December 31, 2013
Investments:				
Other depository accounts	$ 796,618	$ -	$ -	$ 796,618
Money market funds	3,464	-	-	3,464
Common stocks	8,395	-	-	8,395
Mutual funds:				
Equities	1,477,294	-	-	1,477,294
Balanced	13,570	-	-	13,570
Fixed income	222,455	-	-	222,455
Corporate bond	-	5,778	-	5,778
Total investments	$ 2,521,796	$ 5,778	$ -	$ 2,527,574

The fair value of the corporate bond at December 31, 2013 was determined primarily based on Level 2 inputs. RMHC-CNI estimates the fair value of this investment using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discontinued cash flow models, and other pricing models. These models are primarily industry standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

Note 13 - Fair Value Measurements (Continued)

The Organization also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. This asset is land held for sale, received as an in-kind contribution. RMHC-CNI has estimated the fair value of this asset based primarily on Level 3 inputs as described above. The fair value is generally valued using the fair value of the land provided by third-party appraisals. These valuations include assumptions related to cash flows projections, discount rates, and recent comparable sales. The numerical range of unobservable inputs for these valuation assumptions is not meaningful. At December 31, 2013, RMHC-CNI recognized a noncash impairment charge of $330,000 to adjust this asset to its estimated fair value.

Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2013

	Level 3	Total Losses for the Year Ended December 31, 2013
Assets - Land held for sale	$ 800,000	$ 330,000