

**RONALD MCDONALD HOUSE CHARITIES
OF NASHVILLE, TENNESSEE, INC.**

FINANCIAL STATEMENTS

December 31, 2007

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
Nashville, Tennessee

FINANCIAL STATEMENTS
December 31, 2007

CONTENTS

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF ACTIVITIES.....	3
STATEMENT OF FUNCTIONAL EXPENSES.....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS.....	6



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Ronald McDonald House Charities of Nashville, Tennessee, Inc.
Nashville, Tennessee

We have audited the accompanying statement of financial position of Ronald McDonald House Charities of Nashville, Tennessee, Inc., as of December 31, 2007 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the House'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 Nashville, Tennessee, Inc. as of December 31, 2007, 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.

A handwritten signature in black ink that reads "Crowe Chizek and Company LLC".

Crowe Chizek and Company LLC

Brentwood, Tennessee
July 22, 2008

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2007

ASSETS

Current assets

Cash and cash equivalents (Notes 5 and 6)

Unrestricted	\$ 391,466
Restricted for capital improvements	467,426
Donor restricted support	<u>266,604</u>
	1,125,496

Donation receivable 26,632

Short-term marketable securities (Notes 2 and 5)

Unrestricted	2,087,327
Restricted for capital improvements	<u>1,925,952</u>
	<u>4,013,279</u>

Total current assets 5,165,407

Long term marketable securities

Restricted for endowment (Notes 2 and 6) 500,000

Land, building and equipment, net (Note 3) 2,999,745

\$ 8,665,152

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 77,878
Accrued expenses	<u>25,322</u>
Total current liabilities	103,200

Net Assets

Unrestricted	4,411,522
Temporarily restricted (Note 5)	3,650,430
Permanently restricted (Note 6)	<u>500,000</u>
	<u>8,561,952</u>

\$ 8,665,152

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues				
Public support				
Donations and fundraising events of McDonald's Cooperatives and Operators	\$ -	\$ 88,038	\$ -	\$ 88,038
Contributions, including in-kind contributions of \$132,621	817,827	118,236	-	936,063
Fundraising events	392,587	-	-	392,587
Program revenues	<u>23,279</u>	<u>-</u>	<u>-</u>	<u>23,279</u>
Total public support	1,233,693	206,274	-	1,439,967
Interest and dividend income	148,795	115,091	-	263,886
Realized and unrealized gains on marketable securities	94,225	67,628	-	161,853
Gain (loss) on disposal of property and equipment	<u>(19,409)</u>	<u>-</u>	<u>-</u>	<u>(19,409)</u>
Total public support and revenue	<u>1,457,304</u>	<u>388,993</u>	<u>-</u>	<u>1,846,297</u>
Expenses				
Program Services	<u>852,472</u>	<u>-</u>	<u>-</u>	<u>852,472</u>
Support services				
Management and General	183,301	-	-	183,301
Fund Raising	<u>171,640</u>	<u>-</u>	<u>-</u>	<u>171,640</u>
Total support services	<u>354,941</u>	<u>-</u>	<u>-</u>	<u>354,941</u>
Total expenses	<u>1,207,413</u>	<u>-</u>	<u>-</u>	<u>1,207,413</u>
Change in net assets	<u>249,891</u>	<u>388,993</u>	<u>-</u>	<u>638,884</u>
Net assets, January 1, 2006	<u>4,161,631</u>	<u>3,261,437</u>	<u>500,000</u>	<u>7,923,068</u>
Net assets, December 31, 2007	<u>\$ 4,411,522</u>	<u>\$ 3,650,430</u>	<u>\$ 500,000</u>	<u>\$ 8,561,952</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2007

		Support Services			
	Program <u>Services</u>	Management <u>and General</u>	Fund <u>Raising</u>	<u>Total</u>	Total <u>Expenses</u>
Salaries and benefits	\$ 324,853	\$ 86,428	\$ 50,208	\$ 136,636	\$ 461,489
Utilities and telephone	84,411	-	-	-	84,411
Professional fees	-	11,646	-	11,646	11,646
Maintenance	151,701	3,770	-	3,770	155,471
House supplies	45,635	-	-	-	45,635
Insurance	15,953	2,056	-	2,056	18,009
Depreciation	92,930	3,764	-	3,764	96,694
Bank charges	-	6,249	-	6,249	6,249
Postage and printing	5,891	12,168	6,618	18,786	24,677
Supplies	-	9,965	110	10,075	10,075
Office equipment	-	318	-	318	318
Travel and entertainment	-	301	-	301	301
Education	-	8,785	-	8,785	8,785
Recognition	-	6,491	936	7,427	7,427
Solicitation permits	-	320	-	320	320
Special events	-	-	94,778	94,778	94,778
In-kind expenses	122,621	10,000	-	10,000	132,621
Payments to affiliates	-	-	18,990	18,990	18,990
Miscellaneous	438	1,476	-	1,476	1,914
Regional conference	8,039	-	-	-	8,039
Meetings and newsletter expenses	-	19,564	-	19,564	19,564
Total functional expenses	<u>\$ 852,472</u>	<u>\$ 183,301</u>	<u>\$ 171,640</u>	<u>\$ 354,941</u>	<u>\$ 1,207,413</u>

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2007

Cash flows from operating activities

Change in net assets	\$ 638,884
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	96,694
Loss on the sale of property and equipment	19,409
Net realized gains on marketable securities	(161,853)
Changes in assets and liabilities	
Other receivables	(26,632)
Accounts payable	(13,248)
Accrued expenses	<u>(4,825)</u>
Net cash from operating activities	<u>548,429</u>

Cash flows from investing activities

Purchase of investments	<u>(884,318)</u>
Net cash from investing activities	<u>(884,318)</u>

Net change in cash and cash equivalents (335,889)

Cash and cash equivalents, January 1, 2006 1,461,385

Cash and cash equivalents, December 31, 2007 \$ 1,125,496

See accompanying notes to financial statements.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Ronald McDonald House Charities of Nashville, Tennessee, Inc., (the "House") is a not-for-profit organization that provides a "home away from home" for families of seriously ill children who are undergoing inpatient or outpatient medical treatment at area hospitals in Nashville, Tennessee.

Basis of Accounting and Financial Statement Presentation: The financial statements have been prepared using the accrual basis of accounting.

The House adopted Statement of Financial Accounting Standard (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the House is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Marketable Securities: Marketable securities consist primarily of McDonald's Corporation Stock and McDonald's Charities Investment Program (MCCIP) fixed income and diversified equity accounts managed by Schwab Institutional. Marketable securities are stated at fair value in accordance with Statement of Financial Accounting Standard No. 124 *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Realized and unrealized gains and losses are reflected in the statement of activities.

Investment income, dividend, interest, and gains or losses, is reported in the period earned as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in temporarily restricted net assets.

Land, Building and Equipment: Land, building and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Furniture and equipment	5 years
Vehicles	5 years

Depreciation expense for the year ending December 31, 2007 was \$96,694.

Contributions: The House adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

The House receives capital support from the Middle Tennessee and Southern Kentucky McDonald's Cooperatives, which consist of many operators of McDonald's restaurants in the region. The Cooperatives host various fund-raising campaigns, which benefit the House. These events are typically conducted at the discretion of, and controlled by, the Cooperatives. Proceeds from these events are restricted to capital expenditures. Accordingly, the House receives the net proceeds at the conclusion of such campaigns or events and records these contributions when received. All other contributions are considered to be received for unrestricted use unless specifically restricted by the donor.

Donated Goods and Services: Donated materials and equipment are reflected as contributions based upon their estimated fair value at the date of receipt. Additionally, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of approximately \$132,621 were derived from donated services for the year ended December 31, 2007. No other amounts have been reflected for donated services because no objective basis is available to measure the value of such service. Nevertheless, a large number of volunteers have given significant amounts of their time to the House's programs, fund-raising campaigns and management.

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

Income Taxes: The House is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

Cash Equivalents: The House considers all highly liquid deposit instruments with original maturities of three months or less to be cash equivalents.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk: Financial instruments that potentially subject the House to concentrations of credit risk consists principally of cash and cash equivalents and marketable securities. The House's cash deposits are primarily in financial institutions in Tennessee and may, at times, exceed federally insured amounts. The House's cash equivalents consist primarily of deposits in money market funds managed by Schwab Institutional. Marketable securities consist primarily of investments in bonds and diversified equity accounts also managed by Schwab Institutional. Management does not believe significant credit risk exists at December 31, 2007.

NOTE 2 - MARKETABLE SECURITIES

Marketable securities at December 31, 2007, are summarized as follows:

	<u>Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
McDonald's Corporate Stock	\$ 147,275	\$ 30,781	\$ 116,494
Bond mutual funds	1,517,214	1,504,440	12,774
Equity mutual funds	<u>2,848,790</u>	<u>2,305,407</u>	<u>543,383</u>
	<u>\$ 4,513,279</u>	<u>\$ 3,840,628</u>	<u>\$ 672,651</u>

The costs basis of marketable securities is determined by specific identification. Interest and dividend income earned on marketable securities for the year ended December 31, 2007 totaled \$230,734. Unrealized gains on marketable securities for the year ended December 31, 2007 totaled \$161,853. Included in marketable securities are permanently restricted assets totaling \$500,000.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 3 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2007, consist of the following:

Land	\$ 596,338
Building and improvements	3,455,761
Furniture and equipment	<u>258,296</u>
	4,310,395
Less: accumulated depreciation	<u>(1,310,650)</u>
	<u><u>\$ 2,999,745</u></u>

NOTE 4 - RETIREMENT PLAN

The House maintains a 403(b) retirement plan covering all active employees. The plan provides for discretionary employer contributions. Contributions to the plan for the year ending December 31, 2007, were \$13,933.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Capital building campaign	\$ 3,383,826
Donor restricted support	<u>266,604</u>
	<u><u>\$ 3,650,430</u></u>

NOTE 6 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include endowments totaling \$500,000, which are subject to restriction of gift instruments requiring that the principal be invested in perpetuity. As permitted by the donors, investment income from the endowments is to be restricted for the current operations of the organization.

RONALD MCDONALD HOUSE CHARITIES OF NASHVILLE, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 7 - SUBSEQUENT EVENT

During June 2008, the House entered into an agreement to purchase 1.25 acres of vacant land located adjacent to their current operations in the amount of \$4,192,800. The closing date of the purchase was June 24, 2008. The House financed the acquisition through liquidation of investments totaling approximately \$2,000,000 and entered into a long-term debt agreement with a financial institution in the amount of \$2,250,000.