

RONALD McDONALD HOUSE CHARITIES



ANNUAL REPORT 2003

A SPECIAL TRIBUTE TO JOAN KROC



IN HER VERY QUIET WAY, OUR LATE FRIEND AND BENEFACTOR JOAN KROC changed countless lives through her philanthropy and volunteerism. There was no area of philanthropy that didn't benefit from Joan's involvement. Her compassion, her determination to meet any challenge and her support of RMHC's efforts enabled our Charity to improve the lives of children in many corners of the world.

Joan will be so deeply missed. But she left the world a brighter place. A safer place. A healthier place. As we celebrate the 30th anniversary of the Ronald McDonald House program in 2004, we honor Joan by remaining steadfast in our shared mission: to change lives, to renew hope, and to lend heart and hand to those in need.

**"DO NOT FOLLOW WHERE THE PATH MAY LEAD ...
GO INSTEAD WHERE THERE IS NO PATH AND LEAVE A TRAIL."**

—ROBERT FROST

DEAR FRIENDS,

RONALD McDONALD HOUSE CHARITIES EXPERIENCED ANOTHER YEAR OF tremendous growth and impact in 2003. It took great vision—and big dreams—to get where we are today: a global Charity, making a world of difference.

RMHC staff, volunteers, donors and supporters help make that vision a reality in ways both great and small. Every day they challenge themselves to identify the needs of children in their communities. Every day, they forge a new trail to a better place for children of the world. I am so proud of what we have done together during the past three decades.

More than 10 million families have called a Ronald McDonald House a “home away from home.” Ronald McDonald Family Rooms give families with hospitalized children a place of respite, right where their child is receiving treatment. Ronald McDonald Care Mobile programs bring health care and education to more than 80,000 children each year. And through strategic relationships with other nonprofit organizations that share our vision, we have extended our reach

beyond anything we could have imagined. Working together, we are improving neighborhoods the world calls home.

IT'S IMPOSSIBLE TO COMPREHEND THE MILLIONS OF LIVES WE TOUCH EACH year. As you read here the important work we did in 2003, we share the big numbers. But we also share the individual stories of children whose lives we impacted. Because, in the end, it's not about the bricks and mortar. It's not about how many beds we provide each night, or how many children are immunized. Our programs are really just tools. Invaluable tools, to be sure—but they all exist for a single reason. One child. Bringing one child from despair to joy. Giving one mind a chance to grow. Ensuring that one child doesn't go to bed hungry. Healing one fragile body. Enabling one child's tenuous dream to take flight. Doing whatever we can, in our own small way, to find and nurture that *one child* who needs us most. That is what Ronald McDonald House Charities is all about.



Kenneth L. Barun, President & CEO



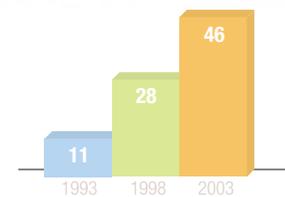
ON BEHALF OF THAT ONE CHILD, DON'T EVER STOP DREAMING.

GLOBAL REACH



- | | | | | |
|--------------|-------------------|----------------|----------------|----------------|
| 1 Argentina | 10 Czech Republic | 19 Hungary | 28 Nicaragua | 37 Scotland |
| 2 Australia | 11 Denmark | 20 Ireland | 29 Norway | 38 Singapore |
| 3 Austria | 12 El Salvador | 21 Israel | 30 Panama | 39 Spain |
| 4 Belgium | 13 England | 22 Italy | 31 Philippines | 40 Sweden |
| 5 Brazil | 14 Finland | 23 Japan | 32 Poland | 41 Switzerland |
| 6 Bulgaria | 15 France | 24 Malaysia | 33 Portugal | 42 Taiwan |
| 7 Canada | 16 Germany | 25 Mexico | 34 Puerto Rico | 43 Thailand |
| 8 Chile | 17 Honduras | 26 Netherlands | 35 Romania | 44 Turkey |
| 9 Costa Rica | 18 Hong Kong | 27 New Zealand | 36 Russia | 45 USA |
| | | | | 46 Venezuela |

10-Year Growth in Number of Countries with RMHC Chapters



THE MISSION OF RONALD McDONALD HOUSE CHARITIES IS TO CREATE, FIND and support programs that directly improve the health and well being of children. RMHC fulfills its mission by creating programs that address targeted needs, and by supporting these programs and other activities conducted by its local Chapters worldwide.

Each year, RMHC gives millions of dollars to its local Chapters to help them fulfill our common mission. Since 1984, RMHC's Global office support to local Chapters totals more than \$84 million. In 2003, 77 percent of our support—more than \$15 million—went directly to local Chapters and their programs.

This included:

- General support of local Chapters through educational opportunities, tools and resources, and nonprofit management and program development guidance.
- Seed grants and expansion grants for Ronald McDonald House programs.
- Capital investment and ongoing support for the Ronald McDonald Care Mobile program.
- Matching community-focused grants

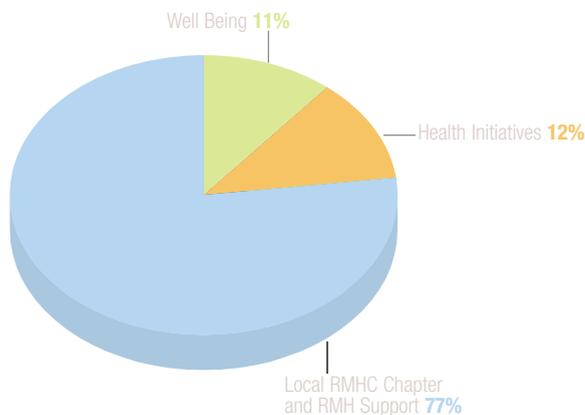
given to local nonprofit children's organizations by U.S. Chapters.

- Development and ongoing support of three RMHC scholarship programs for students from disadvantaged communities in the United States.

In addition, RMHC awards grants to other nonprofit organizations that positively impact the health and well being of children.

RONALD McDONALD HOUSE CHARITIES OUR MISSION

2003 RMHC Grants and Program Services



All monetary figures in report are in U.S. dollars.

DRIVEN BY A PASSION TO REACH OUT TO CHILDREN IN NEED, RMHC AND ITS LOCAL CHAPTERS HAVE CREATED A NETWORK OF CARE AND CONCERN ACROSS THE GLOBE. INDIVIDUALLY AND TOGETHER, WE WORK TO CREATE A WORLD WHERE EVERY CHILD CAN HOPE, DREAM AND ACHIEVE.

George's family was among the first guests at the new Ronald McDonald House in Bucharest—the only House program in Romania. Just 2 years old, George had been severely burned over more than 80 percent of his body. Before the Bucharest House opened, George's parents would have slept on the floor of the hospital during his two-month stay. Instead, they were offered the very special warmth and caring of the new House. The homelike accommodations and emotional support helped George's family get through this tragedy.



“BECAUSE OF SO MANY GENEROUS PEOPLE, I REALIZED THAT EVEN THOUGH WE ARE 500 KILOMETERS FROM OUR HOME, WE ARE AT HOME HERE,” SAYS GEORGE’S MOTHER.

H O



ES

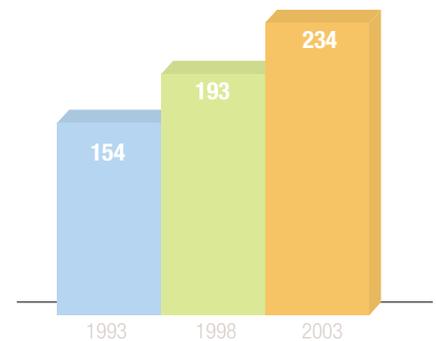
RONALD McDONALD HOUSE PROGRAM

AROUND THE WORLD, THE RONALD McDONALD HOUSE PROGRAM OFFERS a “home away from home” to families facing the toughest challenge of their lives—the critical illness of a beloved child. Ronald McDonald Houses provide families with more than a private bedroom and a home-cooked meal. Families gain a hand to hold and a listening ear, a safe haven to unwind from the stress of the hospital, and the understanding and support of

other parents and compassionate staff and volunteers.

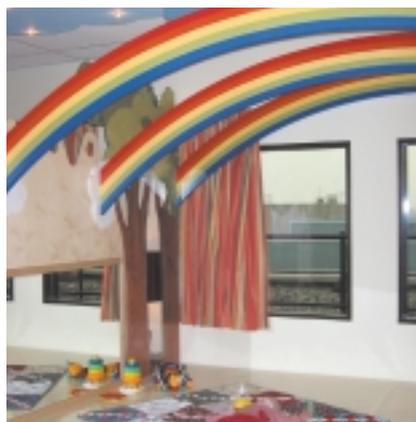
WITH THE ADDITION OF 12 NEW HOUSES AND THE EXPANSION OF NUMEROUS others in 2003, the House program now offers more than 6,000 bedrooms each night. At year end, there were 234 Ronald McDonald Houses caring for families in 24 countries. Each House is supported by the selfless commitment and hard work of staff, volunteers, donors and local communities.

10-Year Growth in Number of Ronald McDonald Houses

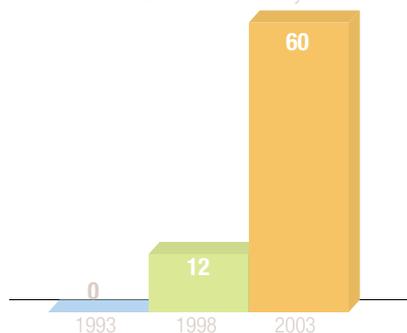


FAMILY

RONALD McDONALD FAMILY ROOM PROGRAM



10-Year Growth in Number of Ronald McDonald Family Rooms



THE RONALD McDONALD FAMILY ROOM PROGRAM EXTENDS THE CARE and comfort of a Ronald McDonald House to a hospital setting. Typically located just steps away from pediatric and intensive care units, Family Rooms are a world removed from the stress and tension of the hospital. They offer a peaceful retreat to parents of critically ill children, where they can have a bite to eat, take a shower, watch TV or get a quick nap. Many Family Rooms include a quiet

room for privacy and reflection, computer facilities and a playroom for siblings.

AS THE NEEDS OF FAMILIES HAVE GROWN, SO TOO HAS THE FAMILY Room program. Six new Family Rooms opened in 2003, with many more under development. By year end, RMHC offered 60 Family Rooms in seven countries. Community donors and volunteers help support Ronald McDonald Family Rooms around the world.



When Jaimy is hospitalized for heart surgery, his parents don't like to leave his side. But they know from experience that they can't be strong for their 3-year-old son unless they can find a little rest and relaxation themselves. It is difficult. They don't want to leave the hospital, but the waiting room offers little comfort to the exhausted, anxious parents.

During Jaimy's last surgery, his parents were delighted to learn that the RMHC Chapter in the Netherlands had opened a Ronald McDonald Family Room in the hospital. Now, while Jaimy sleeps, Roy and Kitty can walk just down the hall to rest, have a snack or talk. "After a moment of relaxation, it is easier to give fresh support to Jaimy," Kitty says. "The Family Room is the perfect place to get away from the hospital environment. The warm, comfortable surroundings feel just like home."

Like countless other children, Brandon falls through the cracks. His mother works full time but can't afford to purchase dental coverage. The family also doesn't qualify for government assistance. Eight-year-old Brandon had never seen a dentist. Then the Ronald McDonald Care Mobile came to Denver. Brandon hopped right on board, and received a complete exam, cleaning, x-rays, fluoride treatment and sealants.

"Brandon was all smiles," says his mom, Wendy. "There was just one disappointment. When they told him to come back in six months, he said 'Can't I go again next week?'"



RMHC IS TAKING STATE-OF-THE-ART MEDICAL, DENTAL AND HEALTH EDUCATION SERVICES DIRECTLY TO THE CHILDREN WHO NEED IT MOST.

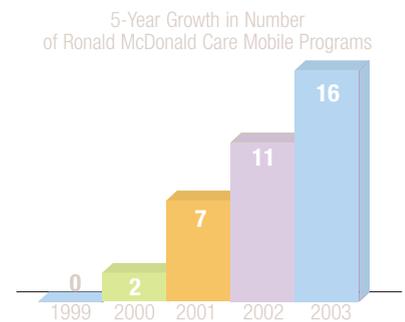


RONALD McDONALD CARE MOBILE PROGRAM

CARE

MILLIONS OF CHILDREN AROUND THE WORLD DO NOT HAVE ACCESS TO health care. RMHC is doing something about it. With the creation of the Ronald McDonald Care Mobile program in 2000, RMHC is taking state-of-the-art medical, dental and health education services directly to the children who need it most. As a leader in mobile pediatric health care, RMHC continues to expand its Care

Mobile fleet, adding five more programs in 2003. Together, RMHC Chapters and local clinical service providers now operate 15 Care Mobile programs in urban and rural areas of the United States, and one program in Argentina. Each program provides clinical services to an average of 4,000 children every year. Thousands more are reached through health education and community outreach programs.

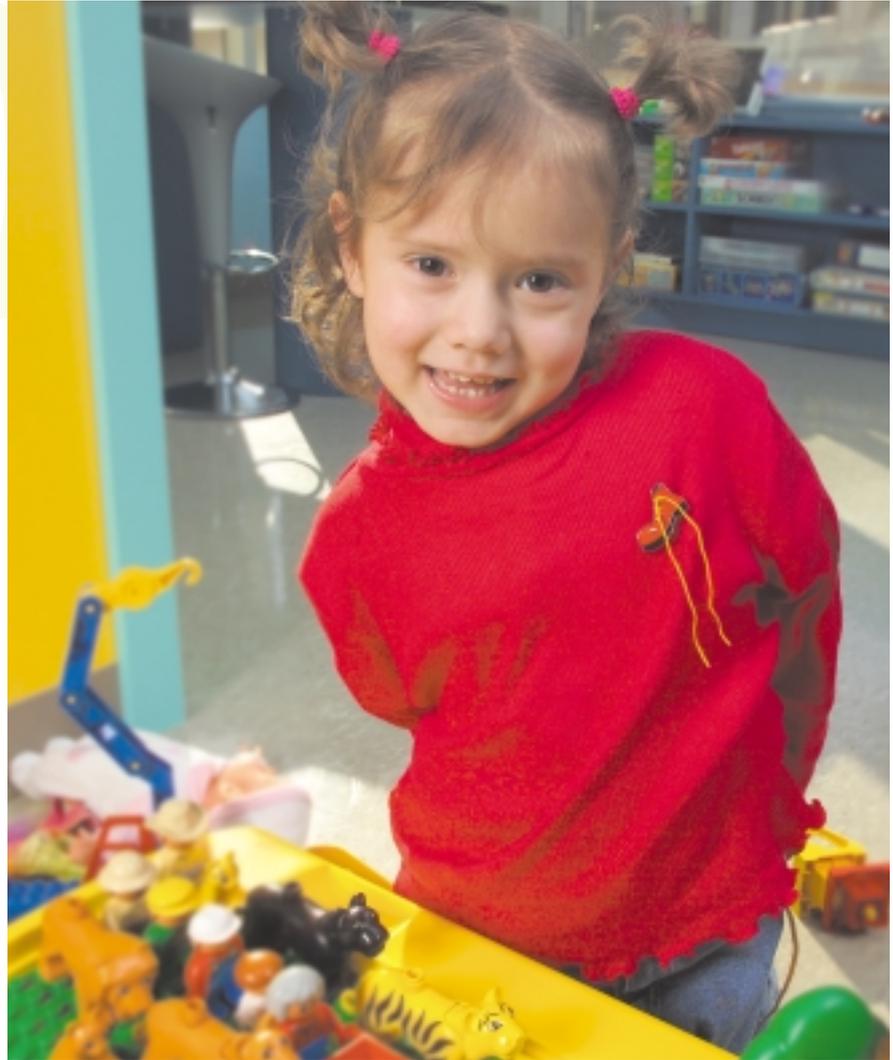
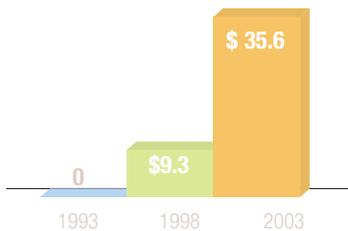


Nicole is a trouper with the chemotherapy and lumbar punctures. It's the finger pokes that upset her the most. The 4-year-old has leukemia, and dreaded the frequent hospital visits—until the amazing new Ronald McDonald Kid Town opened right in the pediatric oncology clinic. Now Nicole can't wait for her appointment, when she can show off her fancy somersaults, play basketball, paint, or make pretend cakes for her daddy. "Nicole misses the clinic on the weeks she doesn't have to go," says her mom.

RONALD McDONALD HOUSE CHARITIES MATCHING GRANTS

SOMEWHERE AMID THE BLOOD DRAWS, CHEMOTHERAPY, NAUSEA AND HAIR loss, kids with cancer lose their childhood. But with the help of a grant from the local Chapter and RMHC, Gundersen Lutheran Medical Center in LaCrosse, Wis., created Ronald McDonald Kid Town. It's a special place that enables children to do what they do best—just be a kid, despite their disease.

10-Year Growth in Matching Grants Awarded (in millions)



COMFORT



RONALD McDONALD HOUSE CHARITIES MATCHING GRANTS

PAIN MANAGEMENT IS TAILORED TO THE INDIVIDUAL NEEDS OF EACH CHILD at the Comfort Corner, funded through grants from RMHC and the local Chapter in Eastern New England. Located at Children's Hospital at Dartmouth in New Hampshire, the pioneering pain management program offers a soothing environment and high-tech entertainment equipment to reduce the pain and anxiety often associated with medical procedures. More than 1,400 children benefited from the program in 2003.

Ian has had numerous medical tests since he was just a baby. The 3-year-old is rarely afraid. In fact, his visits to Comfort Corner are kind of fun. Staff members play with him, let him handle the equipment and explain everything they'll be doing. Ian dons the anesthesia mask after picking a "flavor" (today he chooses bubble gum) and trying it out on his mom first. He awakens to a Sesame Street DVD, with his favorite snacks close at hand. "Ian is surrounded by people who really care about him, and he is completely prepared for what will happen," says his mom, Terry. "It makes the experience much less stressful. Comfort Corner has been a godsend to us."

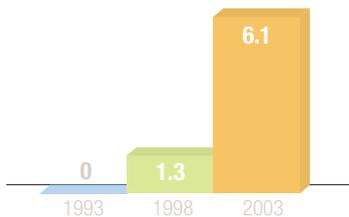
SCHOLARSHIP

When her family's home was destroyed by fire, Andrea was sure her plans for college had gone up in smoke, too. But an RMHC/HACER scholarship helped make her dream a reality. That dream is to be a teacher, reaching out to children like herself. "I'm one of those kids who could have gone either way," Andrea, now a freshman at New Mexico State University, admits. She didn't have much growing up, she says, but she did have the steadfast support of her parents. "They always believed in me, and that inspires me to work even harder to achieve my goals."

RONALD McDONALD HOUSE CHARITIES SCHOLARSHIP PROGRAMS

THE U.S. SCHOLARSHIP PROGRAMS ARE ANOTHER PARTNERSHIP BETWEEN RMHC and its local Chapters to help children reach their full potential. In 2003, more than 2,000 graduating high school seniors of Hispanic, African American and Asian/Pacific Island descent received RMHC scholarships that enabled them to realize their dream of a college education.

10-Year Growth in Scholarship Dollars (in millions)



"NOT EVERYONE HAS SOMEONE THERE FOR THEM LIKE I DID," ANDREA EXPLAINS. "EVEN IF I HELP JUST ONE PERSON, IT WILL MAKE A DIFFERENCE."

THROUGH GRANTS TO OTHER NONPROFIT ORGANIZATIONS SERVING CHILDREN, RMHC IS ABLE TO EXTEND ITS REACH, IMPROVING THE HEALTH AND WELL BEING OF CHILDREN IN AREAS AROUND THE WORLD. IN 2003, THESE GLOBAL GRANTS AMOUNTED TO MORE THAN \$4.5 MILLION.



RONALD McDONALD HOUSE CHARITIES GLOBAL GRANTS

WITH EARLY DIAGNOSIS AND PROPER TREATMENT, THE CURE RATE FOR Brazilian children with cancer has doubled in the past 10 years. A 2003 grant from RMHC and the ongoing support of the Brazilian Chapter expands access to these medical services for pediatric oncology patients.

WHEN LUÃ WAS DIAGNOSED WITH SPINAL CANCER, the 12-year-old refused treatment. He'd seen his mother and two uncles die from the same disease, and was terrified at the prospect of chemotherapy and hospitals. But when a pediatric oncology center opened nearby, in one of Brazil's most impoverished regions, Luã consented to treatment. "It doesn't seem at all like a hospital," Luã says. "It's a very joyful place." With the help of state-of-the-art medical and psychological care, both Luã's health and his spirits are improving.

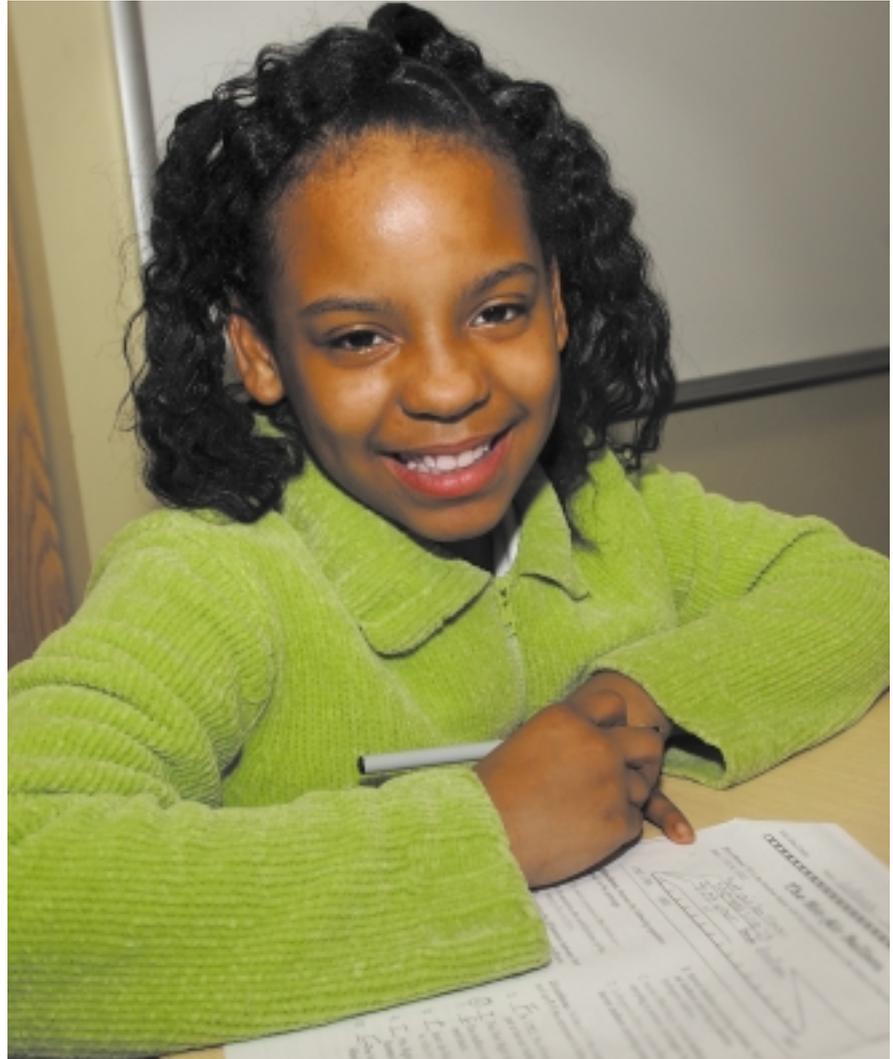
GLOBAL

GRANTS

THE AFTER-SCHOOL PROGRAM PROVIDES A HEALTHY MEAL, **TUTORING AND COMPUTER INSTRUCTION, AND OPPORTUNITIES** FOR PERSONAL GROWTH AND COMMUNITY BUILDING.

RONALD McDONALD HOUSE CHARITIES GLOBAL GRANTS

AS MANY AS 9 MILLION CHILDREN IN THE U.S. GO TO BED HUNGRY. AN RMHC grant to America's Second Harvest enabled expansion of 11 local Kids Cafe programs. The national network of Kids Cafes serves more than 17 million nutritious meals each year to children in need. The RMHC grant will help reduce child hunger by as much as 20 percent in targeted communities. Numerous local RMHC Chapters also support Kids Cafes in their communities.



Latara is an academic superstar, participates in numerous sports and, at age 11, is already involved in neighborhood development. She recently helped fulfill the dream of elderly neighbors, transforming a vacant lot into a garden. The Chicago girl credits the Kids Cafe program at her neighborhood community center with the support she needs to excel as a student and a citizen.

RONALD McDONALD HOUSE CHARITIES VOLUNTEER TRIBUTE



WHEN JANELLE HERRING SPEAKS ABOUT THE WORK OF RONALD McDonald House Charities, people listen. She knows firsthand how RMHC can change lives. Janelle was diagnosed with leukemia when she was 9 years old. She went through years of treatment before she was pronounced cured. Janelle credits the staff and other families at two Australian Ronald McDonald Houses with helping her family get through those difficult years.

Now 18, Janelle works in a local McDonald's restaurant and serves as the RMHC Ambassador, a liaison between RMHC and the restaurant staff and customers. "Without Ronald McDonald

House Charities, I wouldn't be the person I am today," Janelle tells people. "I volunteer for this Charity because I want everyone, everywhere to know how important RMHC is in the lives of people like myself and my family."

Janelle is just one of nearly 30,000 RMHC volunteers worldwide—caring, compassionate and tremendously dedicated people united by a common goal. It is through the unwavering commitment of our global family of volunteers, RMHC staff, donors and the McDonald's family—its customers, franchisees and suppliers—that we are able to create a brighter future for children across the globe.

RONALD McDONALD HOUSE CHARITIES GLOBAL HIGHLIGHTS

ASIA/PACIFIC

RMHC Chapters operate in nine countries, providing support to the region's 17 Ronald McDonald Houses and many other organizations serving the medical and educational needs of children.

DMHC JAPAN opened its second Donald McDonald House, located in Sendai Miyagi prefecture. Serving northern Japan, the 16-room House is adjacent to the first children's hospital built in the country in more than 10 years.

NEW ZEALAND'S third Ronald McDonald House celebrated its grand opening in Christchurch with a traditional Maori blessing. The new House will serve families throughout the South Island.

RMHC AUSTRALIA continues support for 10 Ronald McDonald Houses and began construction of two new Houses. The Chapter also expanded the Ronald McDonald Learning Program, providing individualized education and therapy support for children who have missed significant amounts of schooling because of serious illness.

EUROPE

The RMHC family now includes 22 European countries, welcoming new

Chapters in Bulgaria and the Czech Republic. The European Chapters support 49 Ronald McDonald Houses and 17 Ronald McDonald Family Rooms, and help fund numerous other initiatives to help children.

Ronald McDonald Kinderfonds (**RMHC NETHERLANDS**) expanded its Ronald McDonald House program in 2003, with new Houses in Zwolle, Tilburg and Veldhoven. Other countries also expanded their programs: Germany welcomed families to its 13th House, located in Cottbus; Sweden opened a new Ronald McDonald House in Lund; Austria opened a House in Salzburg; and Romania opened its first House in Bucharest.

Fundacja Ronalda McDonalda (**RMHC POLAND**) worked with the Department of Hematology and Oncology at the Children's Hospital, University of Warsaw, to build a 12-bed pediatric treatment unit.

Ronald McDonald Barnfond (**RMHC SWEDEN**) continued to expand in-hospital play rooms. Now 45 play rooms throughout the country offer children and their parents a respite from the stress of the hospital.



MIDDLE EAST

RMHC TURKEY provided a grant to the Oncology Hospital of the University of Istanbul to establish a classroom for pediatric patients. More than 19,000 children in one of Turkey's most impoverished regions received eye exams through another Chapter-funded project.

UNITED STATES

With the addition of a new Ronald McDonald House in Seattle, Wash., RMHC reached a total of 150 U.S. Houses. The second House operated by **RMHC OF WESTERN WASHINGTON** includes 10 dedicated rooms for families of children who recently received bone marrow transplants. The Chapter now can accommodate 80 families each night. Chapter grants of almost \$200,000 supported nonprofit organizations throughout Western Washington and Alaska that benefit children and their families.

Five new **RONALD McDONALD FAMILY ROOMS** launched in 2003. The United States now has a total of 37 Family Rooms.

Five new **RONALD McDONALD CARE MOBILE** programs were launched in 2003, with 15 now in the United States. The program in the Chattanooga, Tenn., region focuses primarily on dental care. It spends

two weeks at each of 16 public elementary schools, visiting day care centers, parks and community centers in the summer months. A full-time dentist and dental assistants provide a complete range of dental services, from x-rays, sealants and cleanings to root canals and extractions.

Local RMHC Chapters provided grant support to thousands of nonprofit children's organizations in their communities. In 2003, to increase the impact of these grants, RMHC's Global office provided an additional \$5.83 million in matching funds. Since the inception of the matching grant program in 1997, more than \$35 million has been granted to 5,700 organizations.

LATIN AMERICA

The 10 Chapters in this growing region provide support to Ronald McDonald House and Care Mobile programs, children's hospitals, schools and orphanages.

ARGENTINA'S second Ronald McDonald House opened in Mendoza in 2003. The region now has six Houses, located in Argentina, Brazil, Honduras and Mexico.

Fundación Infantil Ronald McDonald Panama (**RMHC PANAMA**) helped establish a children's education and recreation

center at the national pediatric hospital in Panama City. The center enables children of all ages to continue their schooling during long-term medical treatment.

Following devastating earthquakes, a grant from Fundación Infantil Ronald McDonald El Salvador (**RMHC EL SALVADOR**) helped Hospital San Rafael build a pediatric wing. The recently completed 95-bed unit provides health care to children treated in intensive care, orthopedics, a special burn unit and a surgical recovery room.

CANADA

Ronald McDonald House Charities of Canada provides support to the country's 12 Ronald McDonald Houses. In 2003, the Houses expanded programs to provide House guests with additional support, such as tutoring, family outings, support groups and recreational opportunities.

RMHC OF CANADA awarded grants to numerous community-based nonprofit organizations that work to improve the quality of life for children facing serious illness and disabilities.



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Marvin and Karen Whaley
Mr. and Mrs.
Charles Wolohan
Shelby and Sybil Yastrow

**CORPORATE GIFTS
\$100,000 AND ABOVE**

American Express
Establishment Services
American National Bank
& Trust Company of
Chicago

Bank One Corp.
Burrows Paper
Corporation
Cargill, Incorporated
The Coca-Cola Company
Convenience Food
Systems
Coronet Foods, Inc.
Critical Path Inc.
Department 56
Dillard's
Florida Plastics
International, Inc.
FMC FoodTech
Formax, Inc.
The Fort James
Foundation
Golden State Foods
International Paper
Kerry Ingredients
The Loftis-Devitt
Company, Inc.
The Martin-Brower
Company, L.L.C.
McCain Foods Limited
McCormick &
Company, Inc.
McDonald's Corporation
Mullins Food Products
Newly Weds Foods, Inc.
The Northern
Trust Company
J.R. Simplot Company
Stampin' Up!
Ty Inc.
Tyson Foods, Inc.
USA TODAY
The Walt Disney
Company
Weiler and Company, Inc.
(In memory of Mr. Anton J. Weiler)

**NATIONAL
PRODUCT DONORS
\$50,000 AND ABOVE
IN PRODUCTS
AND SERVICES**

Alpha Delta Pi Sorority
AT&T
Benjamin Moore & Co.
Bissell, Inc.
Boston Market
Corporation
The Cardinal Foundation
The Coca-Cola Company
Creative Bedding
Technologies, Inc.
DDB Chicago
East Balt, Inc.
Ernst & Young LLP
GE Information Services
Georgia-Pacific
Corporation
The HAVI Group, LP
IBM
International Furnishings
and Design Association
Keystone Foods
Kohler Company
LifeLine
Microsoft
Motorola, Inc.
National Thoroughbred
Racing Association
Nestlé
The OSI Group
Select Comfort
Southwest Airlines
Terasys, Incorporated
Unilever Home &
Personal Care
United Airlines
United Online, Inc.
Weber-Stephen Products
Company

RONALD McDONALD HOUSE CHARITIES, INC. FINANCIAL STATEMENTS

RONALD McDONALD HOUSE CHARITIES, INC. YEARS ENDED DECEMBER 31, 2003 AND 2002

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF TRUSTEES
RONALD McDONALD HOUSE CHARITIES, INC.

We have audited the accompanying statements of financial position of Ronald McDonald House Charities, Inc. (RMHC) as of December 31, 2003 and 2002, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of RMHC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 audits provide 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, Inc. at December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

FEBRUARY 27, 2004

RONALD McDONALD HOUSE CHARITIES, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2003

DECEMBER 31, 2002

<i>(In Thousands)</i>	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Assets						
Cash and cash equivalents	\$ 3,352	\$ 332	\$ 3,684	\$ 2,464	\$ 151	\$ 2,615
Other assets	201	240	441	155	175	330
Contribution receivable, net	3,780	152	3,932	3,396	—	3,396
Beneficial interest in remainder trust	—	60,750	60,750	—	—	—
Pledges receivable, net	462	551	1,013	286	727	1,013
Investments	70,691	654	71,345	66,104	610	66,714
Equipment, net	197	—	197	220	—	220
Total assets	\$ 78,683	\$ 62,679	\$141,362	\$72,625	\$1,663	\$ 74,288
Liabilities and net assets						
Accrued expenses and other	\$ 658	\$ —	\$ 658	\$ 2,710	\$ 3	\$ 2,713
Grants payable	4,766	82	4,848	6,632	138	6,770
Charitable remainder trust payable	—	38,750	38,750	—	—	—
Notes payable	5,000	—	5,000	5,000	—	5,000
Total liabilities	10,424	38,832	49,256	14,342	141	14,483
Net assets:						
Unrestricted:						
Undesignated	1,000	—	1,000	1,000	—	1,000
Board designated—Contingent grants	20,822	—	20,822	30,670	—	30,670
Board designated—Operating reserves	46,437	—	46,437	26,613	—	26,613
Total unrestricted	68,259	—	68,259	58,283	—	58,283
Temporarily restricted:						
International Ronald McDonald Houses	—	22,000	22,000	—	—	—
Other	—	1,847	1,847	—	1,522	1,522
Total temporarily restricted	—	23,847	23,847	—	1,522	1,522
Total net assets	68,259	23,847	92,106	58,283	1,522	59,805
Total liabilities and net assets	\$ 78,683	\$ 62,679	\$141,362	\$72,625	\$1,663	\$ 74,288

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2003

YEAR ENDED DECEMBER 31, 2002

<i>(In Thousands)</i>	YEAR ENDED DECEMBER 31, 2003			YEAR ENDED DECEMBER 31, 2002		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support, revenue, and gains (losses):						
Public support:						
Gross revenue from special fundraising events	\$ 2,693	\$ -	\$ 2,693	\$ 4,223	\$ -	\$ 4,223
Less: Direct benefit costs	(1,015)	-	(1,015)	(2,091)	-	(2,091)
Net revenue from special fundraising events	1,678	-	1,678	2,132	-	2,132
Contribution from remainder trust	-	22,000	22,000	-	-	-
Other Contributions	11,086	938	12,024	9,274	66	9,340
Donated goods and services	2,985	-	2,985	4,526	-	4,526
Total public support	15,749	22,938	38,687	15,932	66	15,998
Revenue and gains (losses):						
Program service revenue	118	12	130	-	-	-
Net realized and change in unrealized gains (losses) on investments	15,132	151	15,283	(15,268)	(125)	(15,393)
Interest and dividends	1,034	12	1,046	1,415	14	1,429
Total revenue and gains (losses)	16,284	175	16,459	(13,853)	(111)	(13,964)
Net assets released from restrictions	788	(788)	-	1,116	(1,116)	-
Total public support, revenue, and gains (losses)	32,821	22,325	55,146	3,195	(1,161)	2,034
Expenses:						
Grants and program services	19,779	-	19,779	18,857	-	18,857
Fundraising	1,261	-	1,261	2,203	-	2,203
Management and general administration	1,805	-	1,805	9,985	-	9,985
Total expenses	22,845	-	22,845	31,045	-	31,045
Change in net assets	9,976	22,325	32,301	(27,850)	(1,161)	(29,011)
Net assets at beginning of year	58,283	1,522	59,805	86,133	2,683	88,816
Net assets at end of year	\$ 68,259	\$ 23,847	\$ 92,106	\$ 58,283	\$ 1,522	\$ 59,805

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2003

<i>(In Thousands)</i>	GRANTS AND PROGRAM SERVICES									SUPPORTING SERVICES					Total
	SUPPORT OF LOCAL RMHC CHAPTERS						OTHER PROGRAMS			Fundraising Benefiting Global RMHC only	Fundraising Benefiting Local RMHCs only	Total Fundraising	Management And General		
	General RMHC, Ronald McDonald House, and Other Program Support	Community Focused Program	Scholarship Programs	New and Expansion Ronald McDonald House Grants	Ronald McDonald Care Mobile Program	Total Local RMHC Support	Health	Well Being	Total Program Services						
Grants	\$3,806	\$5,743	\$2,352	\$607	\$350	\$12,858	\$2,295	\$2,179	\$17,332	\$ -	\$ -	\$ -	\$ -	\$17,332	
Other	224	-	-	-	23	247	-	-	247	747	37	784	127	1,158	
Public awareness	-	-	-	-	-	-	-	-	-	-	-	-	874	874	
Travel, meetings, and conventions	948	-	1	-	38	987	-	6	993	25	13	38	(6)	1,025	
Other services and professional fees	115	-	44	-	39	198	-	3	201	1	-	1	79	281	
Donated services	594	87	62	-	128	871	46	13	930	286	123	409	531	1,870	
Miscellaneous office expenses	21	-	39	-	10	70	-	6	76	17	12	29	110	215	
Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	90	90	
Total	\$5,708	\$5,830	\$2,498	\$607	\$588	\$15,231	\$2,341	\$2,207	\$19,779	\$1,076	\$185	\$1,261	\$1,805	\$22,845	

Year ended December 31, 2002

<i>(In Thousands)</i>	GRANTS AND PROGRAM SERVICES									SUPPORTING SERVICES					Total
	SUPPORT OF LOCAL RMHC CHAPTERS						OTHER PROGRAMS			Fundraising Benefiting Global RMHC only	Fundraising Benefiting Local RMHCs only	Total Fundraising	Management And General		
	General RMHC, Ronald McDonald House, and Other Program Support	Community Focused Program	Scholarship Programs	New and Expansion Ronald McDonald House Grants	Ronald McDonald Care Mobile Program	Total Local RMHC Support	Health	Well Being	Total Program Services						
Grants	\$3,599	\$3,841	\$1,757	\$520	\$ (30)	\$ 9,687	\$3,606	\$3,588	\$16,881	\$ -	\$ -	\$ -	\$ -	\$16,881	
Other	399	-	-	-	1	400	-	-	400	1,288	553	1,841	201	2,442	
Public awareness	-	-	-	-	-	-	-	-	-	-	-	-	7,838	7,838	
Travel, meetings, and conventions	218	6	1	-	34	259	11	-	270	16	60	76	191	537	
Other services and professional fees	102	-	9	-	55	166	-	-	166	79	-	79	765	1,010	
Donated services	567	71	67	-	144	849	56	-	905	181	-	181	490	1,576	
Miscellaneous office expenses	142	5	66	-	20	233	2	-	235	2	24	26	305	566	
Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	195	195	
Total	\$5,027	\$3,923	\$1,900	\$520	\$224	\$11,594	\$3,675	\$3,588	\$18,857	\$1,566	\$637	\$2,203	\$9,985	\$31,045	

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES, INC.

STATEMENTS OF CASH FLOWS

	Years ended December 31	
(In Thousands)	2003	2002
OPERATING ACTIVITIES		
Change in net assets	\$ 32,301	\$ (29,011)
Adjustments to reconcile change in net assets to cash flows used in operating activities:		
Net realized and change in unrealized (gains) losses on investments	(15,283)	15,393
Depreciation	23	15
Contributions of common stock	(11)	(68)
Changes in operating assets and liabilities:		
Pledges receivable	–	652
Beneficial interest in remainder trust	(60,750)	–
Beneficial interest in remainder trust payable	38,750	–
Contributions receivable	(536)	(3,364)
Other assets	(111)	101
Accrued expenses and other	(2,055)	2,435
Grants payable	(1,922)	(607)
Cash flows used in operating activities	(9,594)	(14,454)
INVESTING ACTIVITIES		
Purchases of investments	(1,028)	(22,439)
Proceeds from sale of investments	11,691	33,636
Purchase of equipment	–	(235)
Cash flows provided by investing activities	10,663	10,962
FINANCING ACTIVITIES		
Proceeds from note payable	–	5,000
Cash flows provided by financing activities	–	5,000
Net increase in cash and cash equivalents	1,069	1,508
Cash and cash equivalents at beginning of year	2,615	1,107
Cash and cash equivalents at end of year	\$ 3,684	\$ 2,615

See accompanying notes.

RONALD McDONALD HOUSE CHARITIES, INC. NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

1. NATURE AND PURPOSE OF THE ORGANIZATION

Ronald McDonald House Charities, Inc. (RMHC) is an Illinois not-for-profit corporation. RMHC was incorporated on September 29, 1977. The Internal Revenue Service has issued a ruling stating that RMHC qualifies as a public charity under Section 509(a)(1) of the Internal Revenue Code and, as such, is exempt from federal income taxation under Section 501(c)(3).

The mission of RMHC is to create, find, and support programs that directly improve the health and well being of children. RMHC fulfills its mission by creating programs that address targeted needs and by supporting these programs and other activities conducted by its local chapters worldwide. In addition, RMHC awards grants to other organizations that positively impact the health and well-being of children.

RMHC's Bylaws allow for solicitation of contributions from the general public. RMHC contributes to those tax-exempt organizations which, in the opinion of RMHC's Board of Trustees, are the most appropriate recipients. The Bylaws also allow for the operation of a facility to provide housing and other assistance for ill children (Ronald McDonald Houses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

RMHC is the sole nominal shareholder of McDonald's-Kinderhilfe gemeinnützige GmbH (MKG), which was incorporated as a not-for-profit corporation in Germany on August 28, 1987. MKG, whose objectives are similar to RMHC, solicits contributions and awards grants primarily within Germany at the sole discretion of MKG's management, and the funds of MKG are not available for the benefit of RMHC. Therefore, the operations of MKG are not included in the accompanying financial statements, and RMHC's investment in MKG is recorded at cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of RMHC to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain amounts have been reclassified at December 31, 2002, and the year then ended to conform with the presentation at December 31, 2003, and the year then ended.

Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase.

Pledges Receivable

Promises to give are recognized as revenue in the period made if they are unconditional promises. Conditional promises are recorded as revenue when the conditions are met. Unconditional promises to give securities are recorded at their fair value.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Investments

RMHC records all investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position and investment gains, losses, and income in the statements of activities and changes in net assets.

Investments in the mutual bond and stock funds are recorded at net asset value, as determined by the investment managers, which equals fair value. Investments in common stock are recorded at fair value, as determined by quoted market prices.

Equipment

Equipment is stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives (3 to 20 years) of the equipment.

<i>(In Thousands)</i>	December 31	
	2003	2002
Equipment	\$235	\$235
Less: Accumulated depreciation	(38)	(15)
Equipment, net	\$197	\$220

Net Assets

RMHC reports 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. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. All other net assets, including board-designated or appropriated amounts, are unrestricted and are reported as part of the unrestricted class. RMHC did not have any permanently restricted net assets for the years ended December 31, 2003 or 2002.

Public Support

Public support is generally recorded at time of receipt. Promises to give are recognized as revenue in the period made if they are unconditional promises. Conditional promises are recorded as revenue when the conditions are met. Unconditional promises to give securities and donated services are recorded at their fair value.

RONALD McDONALD HOUSE CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

3. INVESTMENTS

Investments consist of the following at December 31, 2003 and 2002:

(In Thousands)	2003		2002	
	Fair Value (Carrying Value)	Cost	Fair Value (Carrying Value)	Cost
Mutual bond fund	\$16,071	\$15,605	\$15,657	\$15,142
Common stock:				
Mutual stock fund	51,202	55,771	46,360	67,049
McDonald's Corporation	4,072	3,705	4,697	6,341
Total common stocks	55,274	59,476	51,057	73,390
Total investments	\$71,345	\$75,081	\$66,714	\$88,532

4. BENEFICIAL INTEREST IN REMAINDER TRUST AND CHARITABLE REMAINDER TRUST PAYABLE

On October 22, 2003, RMHC received notification that it held a beneficial interest in a remainder trust totaling \$60,750,000. Trust terms require RMHC to distribute \$38,750,000 to Ronald McDonald Houses open and operating in the United States. Trust terms limit the remaining \$22,000,000 for the support of Ronald McDonald House programs, including but not limited to, Ronald McDonald Houses open and operating outside the United States.

Accordingly, RMHC established a receivable for \$60,750,000, the total beneficial interest in the trust, and a liability for \$38,750,000, the amount due Ronald McDonald Houses in the United States. RMHC also recorded \$22,000,000 as a temporarily restricted contribution designated for the support of the Ronald McDonald House programs as described in the preceding paragraph.

5. NOTE PAYABLE

Effective January 22, 2002, McDonald's Corporation made available to RMHC an interest free line of credit in the amount of \$5,000,000. RMHC borrowed the full \$5,000,000 line of credit over a five-month period in 2002. Imputed interest on the Loan payable is based on short-term applicable federal rates issued by the Internal Revenue Service, utilizing a blended rate of 1.52% in 2003 and ranging from 2.12% to 3.18% over the five-month period that the funds were borrowed in 2002. Total imputed interest in 2003 and 2002 is \$76,000 and \$54,000, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

(In Thousands)	December 31	
	2003	2002
Restriction:		
Ronald McDonald House programs and International Ronald McDonald House support	\$22,000	\$ -
Support of local Ronald McDonald House Charities programs (worldwide)	1,012	584
Time restricted	736	900
Other temporarily restricted net assets held for specific purposes	99	38
Total temporarily restricted net assets	\$23,847	\$1,522

7. CONTRIBUTIONS

Pledges Receivable

RMHC has received pledges from foundations, corporations, and individuals. These pledges relate primarily to the capital campaign begun in 1998.

Included in pledges receivable at December 31, 2003 and 2002, are the following unconditional promises to give:

(In Thousands)	December 31	
	2003	2002
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$1,392	\$1,378
Less: Unamortized discount	240	227
Subtotal	1,152	1,151
Less: Allowance for uncollectibles	139	138
Net unconditional promises to give	\$1,013	\$1,013
Amounts due in:		
Less than one year	\$682	\$708
One to five years	710	670
Total	\$1,392	\$1,378

The discount rates used for pledges receivable were 3.25% in 2003 and 2.40% in 2002.

RONALD McDONALD HOUSE CHARITIES, INC. NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Contributions Receivable

Included in contributions receivable at December 31, 2003 and 2002, are the following:

<i>(In Thousands)</i>	December 31	
	2003	2002
Contributions receivable	\$4,032	\$3,396
Less: Allowances for uncollectibles	100	—
Net contributions receivable	\$3,932	\$3,396

Other Contributions

Other contributions consist of fundraising activities conducted by the following for the years ended December 31, 2003 and 2002, respectively:

<i>(In Thousands)</i>	December 31	
	2003	2002
Independent organizations	\$7,215	\$5,587
Local chapters	1,780	1,815
RMHC	3,029	1,938
Total	\$12,024	\$9,340

Donated Goods and Services

RMHC receives support from McDonald's Corporation consisting of the free use of its facilities, equipment, materials, and limited services. The free goods and services provided by McDonald's Corporation partially defray certain costs that RMHC would otherwise incur to conduct special fundraising events, as well as, for program service, fundraising and management and general expenditures. For the years ended December 31, 2003 and 2002, the total value of the free goods and services provided by McDonald's Corporation totaled \$2,209,000 and \$3,447,000, respectively.

RMHC received additional donated goods and services from other donors totaling \$971,000 and \$1,315,000 for the years ended December 31, 2003 and 2002, respectively. A portion of these donated goods and services are included in gross revenue from special fundraising events.

RMHC also receives donated goods and services from other contributors and volunteers that are not measurable and, therefore, are excluded from the financial statements.

8. GRANTS AND PROGRAM SERVICES

SUPPORT OF LOCAL RMHC CHAPTERS

• *General RMHC, Ronald McDonald House, and Other Program Support*

RMHC provides expertise in all aspects of Ronald McDonald House operations, other program development, and nonprofit management for its Chapters worldwide. Support includes educational resources, tools, and training opportunities and general program support grants.

• *Community-Focused Program*

RMHC directly matches U.S. Chapter grants made to local children's organizations thereby increasing the availability and scope of services provided to children throughout the United States.

• *Scholarship Programs*

RMHC developed and continues to support three scholarship programs. RMHC/HACER, RMHC/ASIA, and RMHC/Future Achievers assist graduating High School Seniors of Hispanic, Asian/Pacific Islander, and African American heritage, with their first year of college or university education. RMHC also directly matches scholarships awarded by U.S. Chapters through these programs.

• *Ronald McDonald House Grants*

RMHC provides grants for new and expanding Ronald McDonald House programs. The Ronald McDonald House is a home away from home for families of ill children while being treated at nearby hospitals.

• *Ronald McDonald Care Mobile Program*

RMHC developed and continues to support mobile pediatric health care services to children in underserved areas in the United States and Argentina. In addition to primary and

specialty medical care, health education, and oral health services, the program links children to other community and social service resources.

In addition to direct support of its local Chapters totaling \$15,231,000 and \$11,594,000 for the years ended December 31, 2003 and 2002, respectively, RMHC provided support through the development of Corporate Donors who directly support local Chapter programs through the donation of goods and services to these Chapters (see note 9).

OTHER PROGRAMS

RMHC works with other organizations to identify and address the needs of children throughout the world. These efforts are directed in two areas, first improving the health of children; second addressing the overall well-being of children.

There are \$20,822,000 and \$30,670,000 in contingent grants, which are reflected as board designated unrestricted net assets, at December 31, 2003 and 2002, respectively. Contingent grants primarily represent a five-year initiative to match, if requested, the grant-making activities of the local RMHC's provided certain criteria are met.

RONALD McDONALD HOUSE CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

9. FUNDRAISING EXPENSES

For the years ended December 31, 2003 and 2002, fundraising expenses incurred by RMHC solely for the benefit of the Global RMHC totaled \$1,076,000 and \$1,566,000, respectively.

Additionally, for the years ended December 31, 2003 and 2002, fundraising expenses incurred by RMHC solely for the benefit of the local Chapters totaled \$185,000 and \$637,000, respectively. These expenditures represent additional support RMHC provides to the local Chapters through the development of Corporate Donors who agree to provide cash support and/or donated goods and services directly to RMHC's local Chapters. These Corporate Donors help to defray the cost to operate a variety of local Chapter programs including the Ronald McDonald Houses.

For the years ended December 31, 2003 and 2002, RMHC coordinated with the aforementioned Corporate Donors to distribute \$1,781,000 and \$2,455,000, respectively, directly to the local Chapters. These amounts are not reflected in RMHC's financial statements.

10. MANAGEMENT AND GENERAL EXPENSES

To raise the general public's awareness about the Mission of RMHC and its global network of local Chapters, RMHC produced a television special and commercials along with other awareness-building materials in 2002. The television special, a one-time event, was broadcast in several countries including the United States. RMHC's general awareness-building activities were timed to correspond with worldwide activities benefiting both RMHC and its local Chapters. These activities raised \$3,218,000 for RMHC and \$5,282,000 for its local Chapters worldwide in 2002.



RONALD McDONALD HOUSE CHARITIES
THAILAND



"MY WORLD IS MADE OF LOTUS AND EVERY PETAL IS FULL HAPPINESS."

Suwipa Rod-usa, age 11, a winner of the 2003 World Children's Day "Bringing Dreams to Life" drawing contest.

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RONALD McDONALD
HOUSE CHARITIES