

# Clowning Around with Charity



## How McDonald's Exploits Philanthropy and Targets Children

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EATDRINK  
POLITICS

CORPORATE  
ACCOUNTABILITY  
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CHALLENGING ABUSE, PROTECTING PEOPLE

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## EXECUTIVE SUMMARY

Philanthropy is a common way for corporations to generate positive feelings among the public and the media. It is also a time-honored response to criticism of harmful corporate practices, such as McDonald's lobbying efforts to thwart public policy and its aggressive marketing to children—marketing that demonstrably contributes to today's epidemic of diet-related disease. And as this report reveals, the actual value of McDonald's giving is relatively small compared to the corporation's rhetoric.

With McDonald's facing heightened scrutiny while being increasingly on the defensive over its role in harming child health, the corporation's charitable activities deserve special examination.



RONALD McDONALD GREETES SCHOOL CHILDREN.

Several themes emerged over the course of our research into McDonald's philanthropic activities that raise serious questions about the substance of the corporation's charitable giving. They include:

- **Promoting the McDonald's brand unremittingly through Ronald McDonald House Charities, despite contributing only a fraction of the charity's revenue.**
- **Taking undue credit for the generosity of its customers. For example, McDonald's often claims the "donation box" contributions to Ronald McDonald Houses as its own.**
- **Selling unhealthy children's menu items by linking their sale to very modest charitable giving.**
- **Profiting from marketing to children in schools under the guise of charity and education.**

While other corporations have designated foundations, McDonald's instead created a branded charity that is an extremely valuable PR vehicle. McDonald's describes Ronald McDonald House Charities as its "charity of choice" but it's really an extension of the McDonald's brand. There is no question the cause is noble: mainly, providing rooms either in or near hospitals so parents can be close to their sick children during treatment. Little could be more important than giving families a comforting place to stay together during such stressful times. The cause's importance, and the extent

to which McDonald's is serving versus exploiting that cause, is all the more reason for gaining a better understanding of McDonald's involvement.

## Major Findings

### *Value of McDonald's Giving*

- McDonald's philanthropic giving is 33 percent lower than leading corporations.
- The average American earning over \$50,000 donates 4.7 percent of their discretionary income to charity, which is 14 times more than what McDonald's gives.
- McDonald's spent almost 25 times as much on advertising as it did on charitable donations in 2011.

### *McDonald's Giving to Ronald McDonald House Charities*

- Based on available information, in 2012, on average, McDonald's donated about one-fifth of the revenues of Ronald McDonald House Charities, the corporation's "charity of choice"—yet McDonald's enjoys 100 percent of the branded benefit of this charity.
- Local Ronald McDonald Houses use common disclaimers on their websites to explain how little McDonald's contributes and to encourage community members to give.
- Local Ronald McDonald Houses (as distinguished from the global Ronald McDonald House Charities entity) report receiving only about 10 percent of their revenue from McDonald's, including from direct customer donations.
- Ronald McDonald Houses report that the Ronald McDonald name causes many people to assume that McDonald's provides 100 percent of the charity's funds – and that this “common misperception” is “absolutely confusing.”

- The Ronald McDonald Care Mobile “Tooth Truck” (a project of the Ronald McDonald House Charities of the Ozarks) is 50 percent funded by taxpayer Medicaid funds, with the other half coming from community donations.

### *McDonald's Marketing Disguised as Charity in Schools*

- At events called “McTeacher's Night,” teachers serve as free labor for McDonald's while parents buy fast food to raise money for schools. While generously boosting sales for McDonald's, the return for schools can equal as little as \$1 per student.
- McDonald's only donates about 15 to 20 percent of the proceeds from McTeacher's nights, although the events are billed as fundraisers for schools.
- McDonald's persistent targeting of school children violates its own self-regulatory pledge to not advertise in schools.

## Recommendations

- **McDonald's should rename the Ronald McDonald House Charities organization it controls and stop licensing its brand to local chapters and houses to enable these entities to change their name.**
- **McDonald's should retire Ronald McDonald and stop marketing to children.**
- **McDonald's should conform to philanthropy best practices by being more transparent regarding its charitable giving practices.**
- **McDonald's should abide by its voluntary pledge to not market in schools.**
- **Organizations and schools should reject McDonald's “partnerships” and funding.**

## INTRODUCTION

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McDonald's first got into philanthropy "for very selfish reasons" as an inexpensive way to get "your name before the public"; the motivation "was probably ninety-nine percent commercial."

- FORMER CEO FRED TURNER<sup>1</sup>

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Philanthropy is a common way for corporations to generate positive feelings among the public and the media. It is also a time-honored response to criticism of harmful corporate practices, such as McDonald's lobbying efforts to thwart public policy and its aggressive marketing to children—marketing that demonstrably contributes to today's epidemic of diet-related disease. And as this report will show, the actual value of McDonald's giving is relatively small compared to the corporation's rhetoric.

The history of McDonald's charitable activities shows that positive PR was the main goal from the start. The idea for McDonald's to conduct charity came from a public relations firm that founder Ray Kroc hired in the late 1950s. That tradition of sales driving charity continues to this day. One author has described McDonald's charity, or "community relations" work, as "one of the most powerful weapons in McDonald's impressive marketing arsenal."<sup>2</sup> Indeed, as

this report documents, it counts among the best PR the corporation could buy.

Not only is McDonald's giving relatively stingy, the corporation has made a common practice of exaggerating how much it gives to its "charity of choice"—the Ronald McDonald House Charities (RMHC). McDonald's philanthropy does not take place in a vacuum and should be viewed with a critical eye given the serious health risks children face today. McDonald's philanthropic activities are mostly self-serving and have significant negative ramifications for public health and policy.

### **McDonald's Public Health Impacts**

With more than 34,000 outlets globally and annual revenues topping \$27 billion, McDonald's is the fast food industry's undisputed leader, serving and promoting more unhealthy food than all of its competition. Because of its iconic status in American (and global) culture, McDonald's has also become a focal point



for public concern for its role in promoting and perpetuating poor eating habits that are linked to diet-related disease. A typical “extra value meal,” for instance—Quarter Pounder with Cheese, medium fries, and medium Coke—contains 1,100 calories (more than half the recommended daily limit), 45 grams of fat (70 percent of the recommended daily limit), 66 grams of sugar, and 1,370 mg of salt (57 percent of the recommended daily limit.)<sup>3</sup>

A growing number of studies have linked fast food consumption to adverse health outcomes such as heart disease<sup>4</sup> and type-2 diabetes.<sup>5</sup> In addition, research suggests a connection between the location of fast food outlets and obesity in children, both in terms of proximity to schools<sup>6</sup> and outlet density.<sup>7</sup> Studies have also demonstrated the connection between fast food marketing and poor dietary habits in children,<sup>8</sup> which contribute to childhood obesity.<sup>9</sup>

Decades of targeted marketing, over-concentration of fast food chains, and restricted access to healthy foods in low-



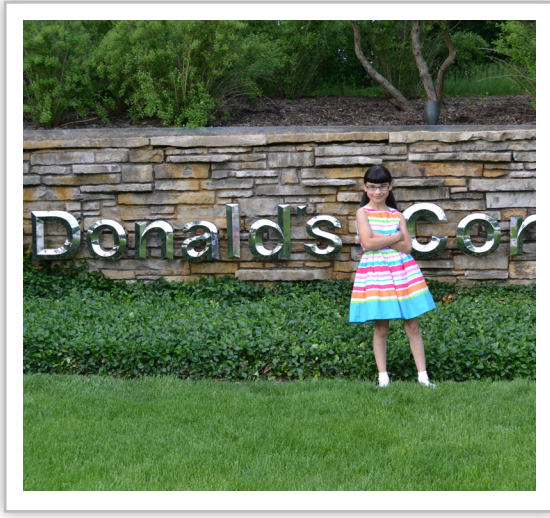
SHREK MOVIE HAPPY MEAL TIE-IN.

income communities of color have taken an especially serious toll on ethnic minorities. Rates of obesity, type-2 diabetes, cardiovascular disease, and other diet-related problems are disproportionately higher in these populations. Moreover, rates of childhood obesity for African-Americans and Hispanics increased about 120 percent between 1986 and 1998, while growing at a concerning, but comparatively smaller 50 percent among whites.<sup>10</sup>

### McDonald's Marketing to Children

McDonald's spends more than a billion dollars annually on marketing alone.<sup>11</sup> A substantial portion of that budget is spent on marketing to children, which is extremely effective. In one study, children as young as age three reported preferring the taste of food wrapped in paper with images of the McDonald's logo, even though the food did not come from McDonald's.<sup>12</sup> Despite the corporation's claims of responsible marketing,<sup>13</sup> the Rudd Center for Food Policy and Obesity at Yale University found that children's exposure to fast food ads has increased from 2007 to 2009.<sup>14</sup> During this time period, preschoolers saw 21 percent more ads for McDonald's, and children in general viewed 26 percent more ads for McDonald's.

While fast food corporations market to all children aggressively, African American and Hispanic youth are exposed to more McDonald's advertisements, which often contain content that appeals to them specifically.<sup>15</sup> As evidence of McDonald's aggressive marketing to the Latino community, McDonald's is responsible for one-quarter of young people's exposure to Spanish-language fast food advertising.<sup>16</sup>



9-YEAR-OLD HANNAH ROBERTSON TESTIFIED AT MCDONALD'S SHAREHOLDER MEETING.

As a result of these aggressive marketing practices towards children, McDonald's has been criticized by numerous public health and child advocacy groups, come under scrutiny by government agencies, and even been threatened with lawsuits. In response, McDonald's has engaged in various forms of public relations, including promoting ad campaigns purporting to teach children about healthy eating.<sup>17</sup>

Over the last four years, McDonald's has consistently faced criticism at its annual shareholders' meeting for its marketing to children. A network of more than 3,000 health professionals has formed to demand that McDonald's stop marketing junk food to children. Parents and community health and children's advocates have delivered pointed statements, placing executives on the defensive. For example, in May 2013, CEO Don Thompson claimed that McDonald's is **"not marketing food to kids," does not "sell junk food" and "is not the cause of obesity."**<sup>18</sup>

With McDonald's facing heightened and justifiable scrutiny, while being increasingly on the defensive over its role in harming child health, the corporation's charitable activities deserve special examination. Several themes emerged over the course of our research into McDonald's philanthropic activities that raise serious questions about the substance of the corporation's charitable giving. They include:

- **Promoting the McDonald's brand unremittingly through Ronald McDonald House Charities, despite contributing only a fraction of the charity's revenue.**
- **Taking undue credit for the generosity of its customers. For example, McDonald's often claims the "donation box" contributions to Ronald McDonald Houses as its own.**
- **Selling unhealthy children's menu items by linking their sale to very modest charitable giving.**
- **Marketing and profiting from children in schools under the guise of charity and education.**

This report will revisit these themes to analyze the true impact of McDonald's philanthropy. By promoting critical analysis and a healthy dose of skepticism, it aims to demonstrate how the world's most powerful fast food corporation uses charity as a shield to deflect criticism and earn undeserved brand affinity. By exposing McDonald's approach to philanthropy as a sophisticated form of public relations, we can better bring into focus the corporation's negative impacts on public health and other societal issues.

## McDONALD'S GIVING DOES NOT MATCH ITS RHETORIC

One useful measure of McDonald's generosity is to compare its giving with corporations of similar size. Annual surveys of corporations such as PepsiCo, Coca-Cola, and Yum! Brands (which owns Taco Bell, Pizza Hut, and KFC) conducted by the Committee Encouraging Corporate Philanthropy showed that these corporations gave 0.12 percent of their revenue to charity through cash and in-kind donations.<sup>19</sup> McDonald's, in contrast, typically gives 0.08 percent, or 33 percent below the survey's six-year average.<sup>20</sup>

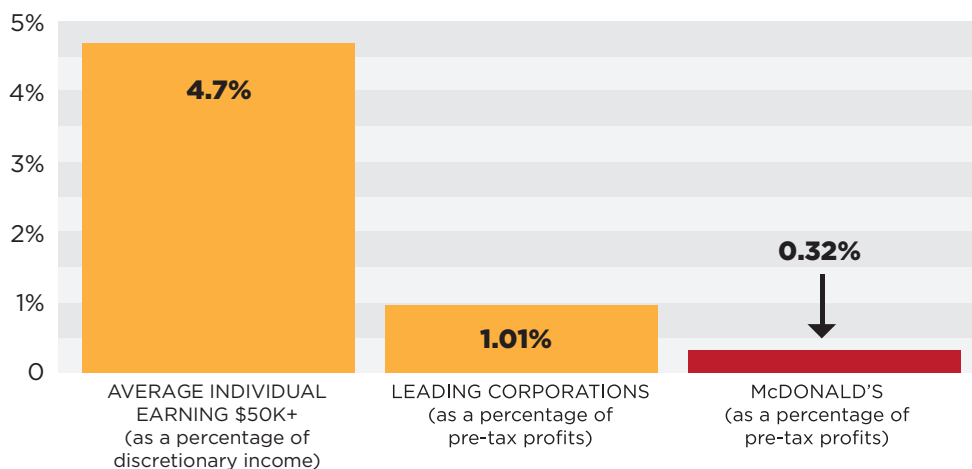
Even based on a percentage of pre-tax profits, over half of other leading corporations give three times as much

as McDonald's. In other words, despite its claims of generosity, McDonald's is among the stingiest corporations when it comes to dollars actually spent on charitable donations.

Individuals earning more than \$50,000 donate 4.7 percent of their discretionary income to charity,<sup>21</sup> or about 14 times more than what McDonald's gives.

Moreover, what McDonald's claims to give annually may well exaggerate even its disappointingly modest generosity. For the most recent year available, 2011, McDonald's reported giving \$34 million globally, in both cash and in-kind contributions.<sup>22</sup> In-kind

**TABLE 1: McCharity: McDonald's Behind the Curve**



giving can be anything from food donations to office supplies. Cash contributions, meanwhile, are more significant, so most charities prefer cash. We called McDonald's asking for the breakdown, but they had no comment, except to say that such "information might be proprietary." To put the potentially exaggerated \$34 million figure into some context, that same year, McDonald's spent almost 25 times as much on advertising.<sup>23</sup> The table below compares \$34 million to other corporate financial measures, such as revenue and dividends paid to shareholders.

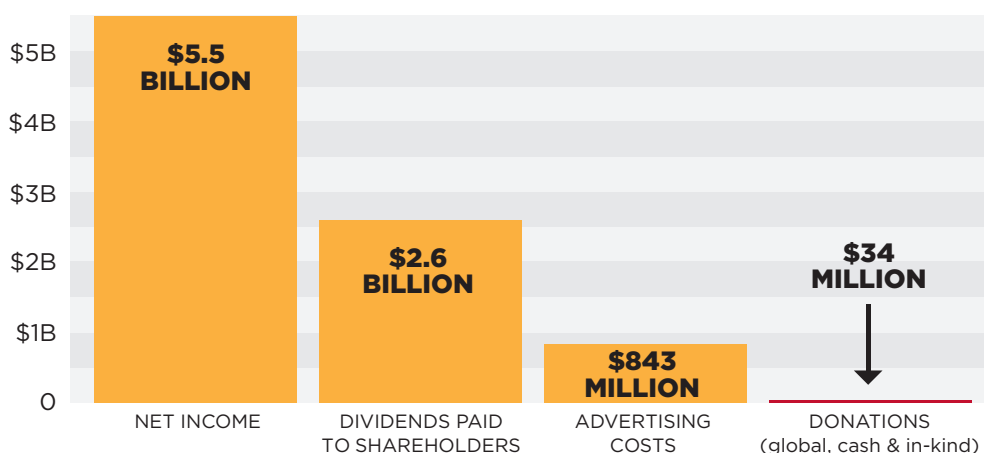
### Conflating Business with Charity

Another way McDonald's exaggerates its impact is by conflating the concept of charity with sales and revenue. For example, in its 2012 Sustainability Report,<sup>24</sup> under the heading "Community"

(what McDonald's calls its philanthropy), the corporation boasts that its "local economic impacts" totaled \$2.1 billion in 2011. But this isn't philanthropy, it's business. Missing are McDonald's considerable externalized costs, such as the health care costs of diseases associated with diets high in fast food.

Similarly missing from this data is how much of that money leaves the community and goes back to McDonald's Corporate. Numerous studies have shown that most revenue generated by large chain stores and restaurant franchises leaves the local community. For example, one analysis compared McDonald's (along with two other fast food chains) to local restaurants, and found that local restaurants recirculate an average of 79 percent of their revenue locally, compared to 30 percent for the chain eateries.<sup>25</sup>

**TABLE 2: McDonald's Charity in Perspective\***



\* All figures are from 2011, the most recent year for which McDonald's makes its giving data available.



## RONALD McDONALD HOUSE CHARITIES: McDONALD'S BRAND FIRST, CHARITY SECOND

“While there’s no disputing that Ronald McDonald Houses provide families in need with tremendous support, they also serve as brilliant marketing and blame-deflection vehicles.”

- DR. YONI FREEDHOFF,  
MEDICAL DOCTOR AND ASSISTANT PROFESSOR AT THE UNIVERSITY OF OTTAWA

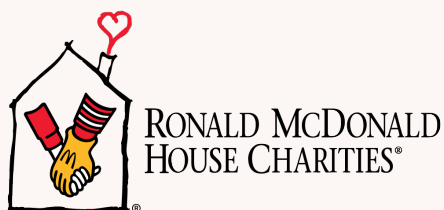
### Understanding McDonald’s and Ronald McDonald House Charities

The idea for the Ronald McDonald House was conceived in 1974 by an advertising firm working for local McDonald’s operators in Philadelphia. In response to a plea from an ex-football player whose daughter had leukemia, local operators raised the money for the first Ronald McDonald House.<sup>26</sup> Now, the global entity called Ronald McDonald House Charities is a 501(c)(3) non-profit organization headquartered in Oak Brook, Illinois, where it shares office space and other expenses with the McDonald’s Corporate office.

Some RMHC chapters operate under the global nonprofit’s 510(c)(3) status, while others are separately incorporated. The Houses themselves operate at the local level, have their own nonprofit status, and sign licensing agreements with McDonald’s Corporate for use of the Ronald McDonald brand. As a McDonald’s representative explained in 1998, **“We have sort of franchised the charity business.”**<sup>27</sup>

While some other businesses have designated corporate foundations, McDonald’s instead created a branded charity that is an extremely valuable PR mechanism. McDonald’s describes Ronald

**On the RMHC global website,<sup>28</sup> McDonald’s is clear about who owns the brand:**



“The following trademarks used herein are owned by McDonald’s Corporation and its affiliates; McDonald’s, Ronald McDonald House Charities, Ronald McDonald House Charities Logo, RMHC, Ronald McDonald House, Ronald McDonald Family Room, and Ronald McDonald Care Mobile.”

McDonald House Charities as its “charity of choice” but it’s really an extension of the McDonald’s brand. Many members of the RMHC board of trustees have ties to McDonald’s and two are former CEOs, so the ties run deep.<sup>29</sup>

Over time, the charity has grown to include 290 chapters in 58 countries, which oversee 326 Houses, 184 Family Rooms, and 49 Care Mobiles.<sup>30</sup>

There is no question the cause is noble: mainly, providing rooms in or near hospitals so parents can be close to their sick children while they are

receiving treatment. Little could be more important than giving families a comforting place to stay together during such stressful times. The cause’s importance is all the more reason for gaining a better understanding of the extent to which McDonald’s is serving versus exploiting that cause.

Former McDonald’s CEO Jim Skinner claimed that “Ronald McDonald House Charities is the heart and soul of McDonald’s.”<sup>31</sup> But that rhetoric doesn’t match reality. After closely analyzing the relationship between McDonald’s and

**TABLE 3: Ronald McDonald House Charities Structure**

**GLOBAL**



Ronald McDonald House Charities

Shared Headquarters in Oak Brook, Illinois



McDonald's Corporation

*McDonald's maintains close ties to Ronald McDonald House Charities, including paying their staff and other costs.*

**REGIONAL**



290 Ronald McDonald House Charities chapters located in 58 countries

*Ronald McDonald House Charities chapters operate independently of RMHC global and conduct their own fundraising.*

**LOCAL**



326 Houses



184 Family Rooms

Ronald McDonald Care Mobile

49 Care Mobiles

*Local entities coordinate three distinct services: Ronald McDonald Houses, Family Rooms, and Care Mobiles. The Houses also operate independently of RMHC global and conduct their own fundraising.*

Ronald McDonald House Charities, we discovered:

- **McDonald's actually donates relatively little to the charity.**
- **McDonald's uses the charity to drive product purchases.**
- **The name of the charity often causes people to confuse local houses with the McDonald's Corporation, undermining the charity's important work.**

### **McDonald's Donates About One-Fifth of RMHC Revenue**

McDonald's donates at least \$1 million annually to the RMHC.<sup>32</sup> In addition, according to RMHC's financial statements, the value of in-kind giving by McDonald's totaled \$4.3 million in 2012. From this, combined with the information available from RMHC's financial statements and the RMHC website, we estimate that in 2012, McDonald's contributed between 14.5 and 27.4 percent of RMHC revenues, or on average, about 20 percent. A precise figure is unavailable because the statements do not reveal exactly how much McDonald's gives RMHC in cash.

The low end of the range is based on the assumption that McDonald's donated exactly \$1 million in cash (plus in-kind giving), and the high end is based on the generous assumption that McDonald's donated \$5.7 million in cash that year after subtracting all other forms of revenue reported by RMHC. Thus, our estimate of 20 percent on average is more than reasonable. (See Appendix for complete methodology.)

### **Many Others Donating to RMHC**

RMHC also lists numerous additional donors including "Signature Partners" that give \$500,000-plus, such as Coca-Cola (the CEO of which sits on the RMHC board of directors) and the telecommunications company ACN. Other major corporations giving more than \$250,000 include *USA Today* and Southwest Airlines. In other words, McDonald's only represents one of many major sponsors. (RMHC lists 24 other organizations that donate at least \$100,000.<sup>33</sup>) Corporations also provide a variety of in-kind donations. The Coca-Cola Company, for instance, supplies vending machines and free bottled water, juice, and soda to chapters worldwide.

Although McDonald's has claimed its brand mascot Ronald is the "heart and soul" of RMHC,<sup>34</sup> volunteers are its true engine, doing much of the work at the local level. In fact, RMHC global boasts "more than 144,000 volunteers and staff members" and says "we couldn't do it without all of you."<sup>35</sup> Volunteers at the local level do everything from answering phones to making meals to fundraising to hosting activities—and, at one house, even "deep cleaning of our guest rooms."<sup>36</sup> In attaching its brand to and benefiting from the free labor and devotion of volunteers, McDonald's receives considerable added and undeserved brand affinity.

### **Ronald McDonald House Disclaimers: McDonald's Donations are Minimal**

McDonald's gives so little money to the local RMHC chapters that the chapters have to explain their relationship with

the corporation on their websites. Such explanations may also speak to the local chapters' need to distance themselves from a corporation that presents a liability to their fundraising. Most of the disclaimers we examined explain McDonald's small financial contributions to the operating budget and emphasize the need for local donations to make up the difference. What's more, of the relatively little money the corporation contributes, the money from donation boxes is often counted as "money coming from McDonald's" even though it's technically not, but rather provided by generous customers. (See more on donation boxes below.)

Many local chapter websites also state that the chapter is independent of the RMHC global charity. The following language appears on many websites:

*The McDonald's Corporation provides a license agreement allowing each Ronald McDonald House to use the trademarks of the corporation. Each Ronald McDonald House is governed in full by a separate Board of Directors, establishes its own mission and policies and manages its own budget and fundraising process. Assets are not co-mingled. It is the responsibility of each Ronald McDonald House chapter to cultivate a fundraising relationship with their local McDonald's owner/operators.<sup>37</sup>*

McDonald's also requires each local house and chapter to sign a licensing agreement that governs how its brand can and cannot be used. But when it comes to fundraising, McDonald's leaves the local entities almost completely on their own.

In addition, some chapters share an approximate dollar figure showing

just how little money comes from McDonald's. For example, the Tallahassee Ronald McDonald House told us that about 10 percent of their operating budget comes from McDonald's through local fundraisers and donation boxes. The Ronald McDonald House of Dallas says that only seven percent of its budget came from a combination of McDonald's and RMHC global in 2010.<sup>38</sup> When we called the House to ask if they got much money from McDonald's, they told us, "Not really; it's hardly anything."

Also, local McDonald's restaurants, independent of McDonald's Corporate or RMHC global, help raise money for local RMHC chapters from in-store product promotions and collection efforts. For example, the RMHC of Southwest Florida

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"Although our House shares a brand name with McDonald's Corporation, less than 10 percent of our annual \$2 million budget comes as a result of financial contributions from the company's local owner/operators."

**- LOS ANGELES  
RONALD McDONALD HOUSE <sup>39</sup>**

says portions of its annual operating costs “are graciously funded by our local McDonald’s owner/operators through canister collections, in-restaurant promotions, and store fundraisers.”<sup>40</sup> RMHC of Kansas City explains that the “partnership” with McDonald’s owner/operators and their restaurants “is unique and extremely beneficial, but sometimes often [sic] misunderstood.”<sup>41</sup> When we asked, “Do you think the name Ronald McDonald House makes people think McDonald’s covers the costs 100 percent?” RMHC of the Ozarks told us, “Yes, it’s a common misperception,” and RMHC of Southwest Florida said, “Yes, it’s absolutely confusing.”

In short, McDonald’s exploits the local charities that promote its brand. The corporation provides little financial support for RMHC chapters, and the McDonald’s name in the charity may even hinder the ability of chapters and Houses to fundraise for an important cause.



RONALD MCDONALD HOUSE OF DALLAS GETS 7 PERCENT OF ITS FUNDING FROM MCDONALD’S.

### McDonald’s Takes Credit for Money from Others

McDonald’s places “RMHC Donation Boxes” in some of its outlets and makes quite a big deal of this in its communication about RMHC. The corporation calls it “our system’s largest ongoing fundraisers,” and boasts that, in 2012, more than \$50 million was collected worldwide.<sup>42</sup> In other words, in 2012, McDonald’s customers gave about 1.5 times more to the charity than the corporation donated overall in 2011.

According to RMHC chapters, 75 percent of the donation box money gets distributed locally and the other 25 percent goes to back to RMHC global. In interviews with RMHC chapters, we heard a common theme: contributions through the donation boxes should not be considered McDonald’s charity because they are provided by local communities. For example, one local RMHC staff member told us, “McDonald’s happens to be the avenue through which the money comes [from donation boxes], but remember it’s the customers who are donating that.” This RMHC staff member saw through McDonald’s scheme of earning community goodwill by taking credit for its own customers’ charitable contributions.

### RMHC Fundraisers as Marketing

RMHC global encourages fundraising from individuals in numerous ways beyond donation boxes. The fact that McDonald’s contributions make up less about 20 percent of the charity’s support necessitates as much. Unfortunately, these fundraisers double as marketing



for the corporation. Each time someone makes a connection to Ronald McDonald House Charities, even by donating their own money, McDonald's gets a public relations boost. Examples of RMHC fundraisers include:

- **Fundraising Events: The Los Angeles Ronald McDonald House hosts an annual Mac Tonight Gala that includes a silent auction, cocktail reception, dinner, and live entertainment.**<sup>43</sup>
- **Online Fundraisers: RMHC encourages people to start a "Group Give" where they get their friends and family to donate online in honor of a family member or friend, as birthday or holiday gifts, etc.**<sup>44</sup>
- **Toy & Food Donations: RMHC encourages people to donate toys, books, games,**

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"The money in donation boxes is technically the charity's money, not McDonald's money. It happens to be collected at McDonald's restaurants, but it is money from the community."

- RMHC OF SOUTHWEST FLORIDA



**food, and other items to their local Ronald McDonald Houses for children and families to use. RMHC offers a shopping list of the kinds of products chapters are looking for - including laundry detergent, trash bags, dental floss, etc.**<sup>45</sup>

- **Legacy Planning: RMHC encourages people to name the charity in their will.**<sup>46</sup>

Again, while the cause is worthy, there are numerous forms of fundraising that do not require marketing the brand of a corporation that is contributing to the nation's public health crisis among other harms.

### Product Promotion and Purchase-Triggered Charity

In an article called "Philanthropy as Public Relations: A Critical Perspective on Cause Marketing," University of Illinois Associate Professor of Communications Inger Stole writes about "purchase-triggered" donations. Thus occurs when a corporation donates part of its product sales to a social cause to generate positive PR and boost sales.<sup>47</sup> McDonald's deploys this concept as a common device to boost sales and attach good feelings to the purchase of unhealthy food.

A good example of McDonald's use of "purchase-triggered" charity comes from 2010. Consumer watchdog ConsumerWorld.org accused McDonald's of disingenuous advertising for claiming the corporation would "donate proceeds from all daily Happy Meal and Mighty Kids Meal sales." The watchdog group posited that the definition of "proceeds" literally means the entire or net dollar

amount.<sup>48</sup> Yet a disclaimer buried in the fine print on the website for this promotion clarified that, “McDonald’s donates one penny to RMHC for each Happy Meal or Mighty Kids Meal sold, at participating McDonald’s.”<sup>49</sup> *Crain’s*, the popular business journal, estimated that Ronald McDonald House Charities would get at most \$6.4 million in a year compared to the \$480 million McDonald’s makes on Happy Meals annually. The journal also said McDonald’s was spending at least \$18 million on its ad campaign over only two months, concluding: “One thing McDonald’s hasn’t skimped on: buying airtime for the highly visible Happy Meals/Ronald McDonald House TV campaign.”<sup>50</sup> In other words, McDonald’s spent three times as much on advertising its product promotion over a two-month period as it donated to RMHC for an *entire year*. The charity would have been much better served if McDonald’s had simply given them the \$18 million—but that wouldn’t have helped sell millions of high-calorie meals to kids.

### **Branded Tooth Truck – Paid for by Taxpayers and Community**

The Ronald McDonald Care Mobile, also known as the “Tooth Truck,” is a project of the RMHC of the Ozarks. The program provides dental treatment for at-risk children, reaches kids at schools, and includes an “in-school tooth-brushing program” in which 380 students are enrolled from five public schools.<sup>51</sup>

With the Tooth Truck, McDonald’s associates its brand with a very worthy cause: providing dental care to children who are so needy that they qualify for



“Cause marketing provides companies with an excellent tool to improve their public image, build closer relationships with consumers, and ultimately boost sales and profits.”

**- PROFESSOR INGER STOLE,  
UNIVERSITY OF ILLINOIS**

government aid. The annual operating budget of the Ronald McDonald Care Mobile is \$600,000, half of which is funded through Missouri Medicaid. The remaining \$300,000 is provided by donations from the community.<sup>52</sup> However, the public only sees the image of Ronald McDonald on the side of the Tooth Truck—and nothing about Medicaid, despite the taxpayer program picking up half the cost.

Moreover, McDonald’s association with the Tooth Truck is ironic given how much tooth decay-causing soda the corporation sells. Fountain drinks

account for as much as 10 percent of overall sales<sup>53</sup>—\$2.7 billion in 2012 alone. The association with the Tooth Truck enables McDonald's to promote its brand and earn goodwill by helping a tiny fraction of the very children whose teeth are damaged by drinking its sugary beverages.



MCDONALD'S-BRANDED TOOTH TRUCK: PAID FOR BY TAXPAYERS AND THE COMMUNITY.

### Value to McDonald's Brand

With 290 local RMHC Chapters and 326 houses spread over 58 countries, McDonald's enjoys immeasurable free positive public relations, through traditional media outlets as well as social media, with many chapters and houses maintaining their own Facebook pages. The value of Ronald McDonald House Charities to the McDonald's brand is challenging to quantify, but there are a few clues pointing to its true corporate worth. Goodwill is a concept in business accounting that allows corporations to quantify the intangible value of the

"There's no question that Ronald McDonald's House Charities has helped numerous families in times of need during the medical treatment of their children. However, the name "Ronald McDonald" also links the Charities with McDonald's-style fast food, which can contribute to many diet-associated diseases such as obesity and diabetes."

- DR. ANDREW BREMER, PEDIATRIC ENDOCRINOLOGIST AND ASSOCIATE PROFESSOR OF PEDIATRICS AND MEDICINE AT VANDERBILT UNIVERSITY; DR. BREMER SHARED HIS CONCERNS REGARDING MARKETING TO CHILDREN AT THE 2013 MCDONALD'S SHAREHOLDER MEETING.<sup>54</sup>

brand beyond objective measures such as sales figures. In 2012, McDonald's reported its goodwill at \$2.8 billion (up from \$2.7 billion in 2011)<sup>55</sup> and the measure has been on a steady rise for the past decade.<sup>56</sup>

The definition of goodwill can include such concepts as reputation and brand awareness.<sup>57</sup> Goodwill value can also include trademarks; McDonald's owns and licenses all of Ronald McDonald House Charities trademarks. Given the tremendous positive feelings generated by the Ronald McDonald Houses, at

## Buying Naming Rights: Ronald McDonald Children's Hospital

The Ronald McDonald Children's Hospital isn't really a hospital, but rather a pediatric unit of Loyola University Medical Center in Illinois. The only such "hospital" in the nation, this wing took on its lofty designation after McDonald's earned naming rights with a large corporate grant. Other than that original donation, there is no actual connection

between McDonald's and the Center—except for the life-size statue of Ronald in the "hospital" itself.



least some of this goodwill must be coming from the brand's attachment to the charity.

All of this translates into brand value that is essential to McDonald's ongoing ability to profit so generously from selling high volumes of unhealthy food. McDonald's consistently ranks high on numerous national surveys of top brands, both among business leaders and the public.<sup>58</sup> For example, McDonald's ranks

first among "Kids' Top 100 Most Loved Brands," number five for "Top US Brands," and number eight for "World's Most Respected Companies."<sup>59</sup>

### Free PR Disguised as News

With such an important and sympathetic cause, local Ronald McDonald Houses often get free publicity on local news programs. Considering there are Houses in more than 300 communities,

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"I spend a lot of time trying to work with families to consume less fast food. Having McDonald's in the hospital sets up a contradiction. Their food contributes to many of the health problems our children are suffering from."

- LENNY LESSER, MD MSHS, RESEARCH PHYSICIAN,  
PALO ALTO MEDICAL FOUNDATION RESEARCH INSTITUTE

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RONALD McDONALD TALKS WITH REPORTERS FROM FOX 2, ST. LOUIS.



RONALD McDONALD AND HOUSE REP IN STUDIO WITH NEWS TEAM OF KCWI, DES MOINES.

the potential is great to earn a high volume of high—reward media for the McDonald’s brand each year. These often lengthy segments effectively associate the fast food brand with good works, present McDonald’s as an exemplary corporate citizen (in spite of its relatively stingy approach to charity), and conflate a worthy health-focused charity with a business that actively undermines public health. Often the news promotes a local fundraising effort, so McDonald’s gets free exposure without even having to contribute to the charity that the news is covering. Here are just a few examples:

- **A 3-minute-plus news segment promoting the “Ronald McDonald House Ride” fundraiser for the St. Louis chapter. The entire interview was of Ronald himself. (2012, Fox 2, St. Louis<sup>60</sup>)**
- **A 6-minute-plus news segment promoting a fundraiser for the Ronald McDonald House in Des Moines, Iowa. Ronald was in the studio chatting with the anchors. (2013, KCWI 23, Des Moines<sup>61</sup>)**
- **A 9-minute interview with two representatives of Ronald McDonald House of San Diego, with video of Ronald greeting children at the House. (2006, CW5, San Diego<sup>62</sup>)**



## McDONALD'S DISGUISED EDUCATION AS PHILANTHROPY

Education-based philanthropy is perhaps the most insidious form of marketing because people often don't even notice that it's happening. By attaching its brand to schools and promoting charity through places of learning, McDonald's receives a stamp of approval from educators while gaining free PR for its brand, influencing young minds, and potentially gaining loyal customers for life. In addition, students in schools are a captive audience. In fact, attendance is legally mandated, and the messages the students get are not generally subject to parental oversight.

McDonald's has come under significant fire for its predatory marketing to children. What better way to deflect that criticism than to lure schools into partnerships by offering them a few dollars? Ronald McDonald can't possibly be a bad influence if he's helping children raise money for their schools, right? In this way, McDonald's compounds its exploitative marketing to children by distorting the concept of charity.

### McTeacher's Night - Raising Pennies with Junk Food Sales

McTeacher's Night is a cleverly disguised form of marketing. Teachers are enlisted as free labor to work at the local McDonald's and families are encouraged to spend their own money to eat fast



McDONALD'S GETS FREE LABOR AND PRICELESS PUBLIC RELATIONS ON MCTEACHER'S NIGHT.

food in the name of raising funds for schools. Here is how one McDonald's website<sup>63</sup> describes it:

*McTeacher's Night is a popular and highly visible fundraising program that takes place in McDonald's restaurants. Educators, students, parents, and friends are invited to their local McDonald's to "work" and raise money for a designated school related cause. Monies go towards sports uniforms, band equipment, theater needs — whatever the school decides! Parents and children are encouraged to come to their local McDonald's to see their very own educators serve up hamburgers, Apple Dippers and milkshakes! A portion of the sales from a designated time period is donated to the school for its specific fundraising need.*

While the exact number of schools that participate is unclear (because there is

no centralized promotion or accounting), many schools do so in hopes of tackling tight budgets. But the return is seriously lacking, especially given the negative message it sends to children about healthy eating. While the percentage of sales the schools earn and the amount of hours worked varies by location, schools receive about 15-20 percent of profits over the course of a three-to-four hour shift. For example, schools in San Antonio, Texas received 15 percent of sales for three hours of work, while schools in Roseville, California received 20 percent of sales for four hours of work.<sup>64</sup>

When you do the math, McTeacher's Night just isn't a good deal, especially given the poor quality of food families are eating and that the parents themselves pay for the food. Here are a few examples:

- **Malow Junior High (Shelby Township, Michigan) raised \$1,319. With 1,215 students enrolled, the event raised about \$1.09 per student.**<sup>65</sup>
- **Echo Loder Elementary School (Reno, Nevada) raised \$500. The local news coverage featured video of Ronald McDonald playing with the kids. With 538 students enrolled, the school received about 93 cents per student.**<sup>66</sup>
- **Westchester Primary and Intermediate Schools (LaGrange, IL) held a McTeachers Night during which the principals sang all night and earned \$503 in tips. Pictures show Ronald McDonald posing with teachers and young children.**<sup>67</sup>

This entire enterprise raises several questions. For example, given the free labor, exactly how much does all this actually cost McDonald's? In other words, how much money does McDonald's save by



T-SHIRTS, HATS, AND BALLOONS TURN SCHOOLS INTO BRANDING VEHICLES FOR MCDONALD'S.

having volunteers take over for workers? Does that 15-20 percent equal about what they'd pay their minimum wage employees? How does this charade compare in cost with having to purchase advertising aimed at the same audience? Also, some parents may not want their child eating at McDonald's, but how many parents would refuse allowing it for charity? In this way, McTeacher's Night represents a clever way to undermine parental authority while targeting children as consumers in a very direct and personal way.

### Using Children as Tools for "Charity"

Not only does McDonald's market to children under the guise of fundraising for schools, but the corporation also targets schools through fundraising promotions for local Ronald McDonald Houses. The most common fundraiser is a "pop tab collection," in which schoolchildren collect aluminum pop tabs from cans to exchange for cash. RMHC global



SCHOOLS ARE “REWARDED” FOR POP-TAB COLLECTIONS WITH VISITS FROM RONALD.

calls it “a great way to teach kids about philanthropy and the importance of recycling while raising funds.” They also claim some chapters raise thousands of dollars this way.<sup>68</sup>

The exchange value of the pop tabs varies by location, ranging from seven to 60 cents per pound.<sup>69</sup> A boy in Sacramento, California led his classmates in collecting an astounding 179 pounds of pop tabs, generating all of \$12.57 for the Sacramento Ronald McDonald House.<sup>70</sup> McDonald’s also encourages schoolchildren to compete for prizes in the pop tab collection promotion. In 2012, a Richmond, Kentucky school district awarded cash to the winning schools: \$500 each for the top-earning elementary and middle schools.<sup>71</sup> The prize money was donated by the owner of the local McDonald’s franchises.<sup>72</sup> In that area, one pound of pop tabs fetches 45 cents.<sup>73</sup> So the schools would need to collect 450 pounds of pop tabs, or roughly 540,000 pop tabs, just to match

that \$1,000. In 2010, an elementary school in Lexington, Kentucky set a goal of collecting a million pop tabs to help an injured classmate; the effort resulted in a visit from Ronald McDonald.<sup>74</sup>

Casey Hinds is a mother from Lexington and advocate for healthy food in Kentucky schools. She sees the irony of collecting tabs from soda cans, and is concerned about “all the damage done to children’s teeth and health from drinking soda.” She also doesn’t think McDonald’s belongs in schools, and told us:

*When schools partner with an organization like the Ronald McDonald House, it gives students the message that you can trust McDonald’s. When they see the Happy Meal ad on television, they remember it’s from a trusted partner of their school. How can the soda and fast food at McDonald’s be harmful to their health if teachers are tacitly or overtly endorsing this company’s presence at their school? We can put a great deal of time, money and effort into teaching health and wellness to students but it goes to waste when the Golden Arches are a part of their school.*

By sending Ronald McDonald into schools, McDonald’s is simply engaging in stealth marketing, exploiting children even more than through traditional advertising, by getting them to feel good about raising money for a worthy cause.

### McDonald’s Marketing Disguised as Education

Fundraising initiatives like McTeacher’s Nights aren’t the only way McDonald’s finds its way into school settings. For example, the corporation provides free “educational materials” from kindergarten to the high school level,

covering such topics as nutrition and the environment.<sup>75</sup> In many areas, Ronald also performs free “educational” shows<sup>76</sup> and visits local libraries.<sup>77</sup>

In 2006, McDonald’s joined the Children’s Food and Beverage Advertising Initiative, a voluntary self-regulatory program funded and orchestrated by the food industry. The Initiative requires members to pledge not to advertise “branded foods to children in elementary schools.”<sup>78</sup> By sending Ronald McDonald into schools and promoting the McDonald’s brand, the corporation violates the spirit of the Initiative.

### Teacher’s Take

Mercedes Bender teaches junior high school in Edmonton Public Schools in Alberta, Canada, where they have a “no junk food” policy. She says:

*We definitely don't have McTeacher's Night, thank goodness, or any other visits from Ronald. We'd have many upset staff and parents. We are by no means perfect, but at least we don't have that propaganda in our schools. The whole idea of Ronald's presence and McDonald's funding school events makes me angry. Would we allow Monsanto or Bayer to send "mascots" into our schools? Dollars and cents should not come into play when dealing with children's health and wellness.*

## McDonald’s Buys its Way into School for Ronald to Educate Children about Nutrition

In May 2012, Ronald McDonald showed up at Terrace Elementary School in Allentown, Pennsylvania, ostensibly to teach kids about healthy eating and exercise. While these sort of “educational” sessions from the fast food mascot are not unusual, this time, Ronald came with a \$1,000 check for the school with the memo line reading “nutrition program.”<sup>79</sup> McDonald’s strategy is to essentially buy its way into schools and position a clown as an authority on health and wellness. For a more traditional form of marketing, McDonald’s would have to spend many times that amount of money on a TV ad that only lasts 30 seconds.



Here, McDonald’s gets a captive audience for much longer, with the imprimatur of the school to boot.



## McDONALD'S TRUE AGENDA

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“McDonald’s isn’t in the business of giving away shareholder equity. While no doubt good can come from McDonald’s donations, if those dollars didn’t provide the brand with a net-positive, they would be cut off. By associating with healthcare and children, McDonald’s does a wonderful job of building an association that portrays the company in an angelic light.”

- DR. YONI FREEDHOFF

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Charity by transnational corporations does not take place in a vacuum; it’s intended to shore up their brands with the added benefit of being tax-deductible. The goal can be to both increase sales and deflect potential criticism. By silencing backlash against their abuses, corporations minimize the risks posed by increased regulation, lawsuits and other potential threats to their maximizing profits.

The tobacco industry offers a telling example of how corporations strategically deploy charity. In the wake of much public condemnation, cigarette corporations responded by proclaiming themselves good corporate citizens as evidenced by their philanthropy. They engaged in strategies such as sponsorship of events and social causes, and initiated corporate image

campaigns highlighting charitable work in the community.<sup>80</sup>

McDonald’s philanthropy began as a marketing strategy and has evolved to also serve as a convenient distraction from harmful practices. Just as many organizations no longer accept charitable donations from tobacco corporations, the same may soon be said for food corporations with a similarly profound negative impact on public health. We may look back in disbelief five or 10 years from now at how the brand mascot of the world’s largest fast food corporation became the public face of a children’s health charity. Ashel Seasunz Elridge is founder of SOS Juice and manager at Alliance for Climate Education. He is very concerned about the impact of Ronald McDonald on small children in communities of color where food options



are limited. He notes: “When you’re 4 or 5 years old and you get a Happy Meal and see Ronald McDonald, and that’s the biggest thing in the community, McDonald’s arches are bigger than the church.”

### Shaping the Public Discourse

McDonald’s is well aware of the pushback and potential threats public criticism represents to its business. In the corporation’s 10-K filing to the federal government, McDonald’s acknowledges that the “impact of nutritional, health and other scientific inquiries...drive popular opinion, litigation and regulation,



MCDONALD’S OTHER PR DISTRACTION: EXERCISE.

including taxation, in ways that could be material to our business.”<sup>81</sup> Shareholders’ resolutions brought forward by Corporate Accountability International and the Sisters of St. Francis of Philadelphia have further called on the corporation to evaluate its response to children’s health.<sup>82</sup>

McDonald’s has countered negative PR regarding its unhealthy menu and exploitative marketing to children with major public relations campaigns. For example, Ronald McDonald has become an “ambassador for health” and McDonald’s has made minimal nutritional improvements in some of its menu items such as Happy Meals. And in almost every instance of criticism, the corporation has defended itself by pointing to the good work of its charity—as if bad behavior on the one hand could be excused by good behavior on the other. The goal of such PR is to shape the public discourse in a way that deflects criticism and replaces it with positive feelings toward the McDonald’s brand.

### McDonald’s Lobbying Agenda

To understand how McDonald’s philanthropy relates to its overall strategy of shaping public discourse, it’s important to examine the corporation’s lobbying practices. Philanthropy serves as a convenient distraction from McDonald’s undermining of public policy. For example, while the corporation’s PR department shines a spotlight on McDonald’s work with hospitals, the corporation’s lobbyists block the public health policy reforms that could prevent many of the very problems McDonald’s contributes to.

In 2012, McDonald's spent about \$3.5 million in both lobbying and campaign contributions.<sup>83</sup> The money spent on lobbying alone has been steadily increasing over the past 10 years, reaching a peak of more than \$2 million in 2012. That year, the corporation lobbied Congress, the White House, and numerous federal agencies, including the U.S. Department of Agriculture and the Food and Drug Administration. Frequent among McDonald's targets was the Federal Trade Commission (FTC), which for the past several years has led an effort to stop junk food marketing to children. The entire food industry vehemently opposed the effort with intense lobbying, so much so that the FTC finally gave up.<sup>84</sup>

According to its 2011 and 2012 quarterly reports, McDonald's lobbied on the "Proposed Federal Trade Commission regulations on food marketing limitations, and other proposals relating to nutrition."<sup>85</sup> These efforts, combined with McDonald's promotion of voluntary self-regulation as a solution to the problem of marketing junk food to children, have successfully kept the White House mum on the issue—despite the first lady's "Let's Move" campaign aimed at reducing childhood obesity.

### Paying Workers a Living Wage

Another important issue causing McDonald's some public relations headaches lately is how the corporation treats its labor force. In August 2013, fast food workers went on strike in 60 cities around the nation, including at many McDonald's outlets. The workers' main complaint was low wages, a median of \$9



MCDONALD'S WORKERS ARE STRIKING ALL OVER THE NATION TO DEMAND HIGHER WAGES.

an hour in the industry, which amounts to an annual full-time salary of \$18,500.<sup>86</sup> McDonald's is a member of the National Restaurant Association, which spent close to \$4 million in campaign donations and lobbying in 2012 and staunchly opposes raising the minimum wage.<sup>87</sup>

An article in Bloomberg in 2012 described the shocking disparity in pay between a McDonald's worker making just \$8.25 an hour compared to the CEO's \$8.75 million salary in 2012, not counting a 3-year bonus. According to Bloomberg, that wage disparity has doubled at McDonald's in just the last 10 years. "At the same time, the company helped pay for lobbying against minimum-wage increases and sought to quash the kind of unionization efforts that erupted recently on the streets of Chicago and New York."<sup>88</sup> It's ironic that a corporation that claims to care about children refuses to pay workers a wage allowing them to adequately care for their families. Adding insult to injury, a recent

report from the National Employment Law Project found that McDonald's topped the list of fast food corporations whose workers rely on government assistance programs to make up for low wages. As Forbes put it, McDonald's costs "the taxpayer \$1.2 billion annually in public assistance programs for their low-paid workers."<sup>89</sup>

Joann Lo, executive director of the Food Chain Workers Alliance, says she is "disgusted by the hypocrisy of multinational corporations like McDonald's that pay minimum wage to their employees but then tout how they give back to the 'community' through donations and sponsorships." She added: "The best way that McDonald's can give back to the community is to pay its employees a living wage."<sup>90</sup>

### Buying Silence

The least visible effect of McDonald's philanthropy is how discussion and debate over the corporation's negative practices is stifled, without most people even realizing it. For example, by continually promoting its brand in schools with visits from Ronald McDonald, the corporation perpetuates the myth of its supposedly positive influence on children while simultaneously chilling the conversation society desperately needs to have about how McDonald's targets children for corporate gain.



THE ARTIST BANKSY'S RENDITION OF HOW MCDONALD'S EXPLOITS ITS WORKERS.

Where is there space in the classroom to teach school children about the adverse health consequences of eating too much fast food or how McDonald's manipulates them with toys, when Ronald is waiting in the hallway to entertain and delight? This is the most disturbing and insidious result of the relationships McDonald's forms through charity—that they can replace open and honest discourse and intimidate recipients to prevent them from speaking out. Hence, they buy silence and complicity. And even if the conversation does happen, McDonald's uses charity to deflect, distract, and silence any further discussion.

## RECOMMENDATIONS

### **McDonald's should rename the Ronald McDonald House Charities organization it controls and stop licensing its brand to local chapters and houses to enable these entities to change their name**

As our research shows, very little of the important work to help children and families is funded by McDonald's, and much of it relies on volunteers and donations from local communities. By associating its brand with Ronald McDonald House Charities, McDonald's gives the false impression that the corporation is providing most, if not all, of the funding. McDonald's gets the PR benefit of being closely associated with the branded charity without paying for it. In addition, McDonald's gets to invoke and hide behind the charity when the corporation and its mascot are called out for exploiting and targeting young children. McDonald's shouldn't require branding and naming rights as a condition of its charity.

Some countries don't even allow charities to use a corporate brand in their name. For example, McDonald's needed special permission in France to use the name Ronald McDonald House Charities, which became the first organization the country ever approved with a commercial name.<sup>91</sup>

Our research also found that Ronald McDonald House Charity chapters go out of their way to correct the false impression

that McDonald's is funding them completely, and spend a considerable amount of resources on localized fundraising. The charity itself is extremely worthy and could certainly thrive under another non-corporate name. Moreover, there are benefits of disassociation for the chapters and houses. For one, it would make it clear that McDonald's donations leave a significant hole to be filled. Independence from the burger chain might also help attract funders committed to the RMHC mission, but reticent about its attachment to a junk food brand. And if Ronald McDonald House Charities were renamed, the corporation's excuse for keeping the clown would be eliminated.

### **McDonald's should retire Ronald and stop marketing to children**

By aligning its Ronald McDonald brand so closely with children's causes, McDonald's furthers the exploitation of children's emotional vulnerability. The dire health consequences of children getting hooked on junk food such as cheeseburgers, fries, and Coke is already apparent and becoming ever more problematic. If McDonald's claims about caring for children were serious, it would stop marketing to them.

A good first step would be to retire Ronald McDonald, as Corporate Accountability International's campaign demands.<sup>92</sup>





CORPORATE ACCOUNTABILITY INTERNATIONAL'S  
RETIRE RONALD CAMPAIGN.

From a business standpoint, as other fast food chains from Jack in the Box to Taco Bell retire kid-oriented marketing and products, McDonald's mascot and related promotions are becoming a distasteful relic.

### **McDonald's should conform to philanthropy best practices by being more transparent regarding its charitable giving practices**

Best practices in philanthropy include transparency and accountability. For example, the Foundation Center lists transparency as a key "to earning the public trust" and says that "access to accurate information about philanthropy advances responsible and effective use of resources."<sup>93</sup> Also, the National Committee for Responsive Philanthropy's list of desirable criteria under Ethics includes: "Discloses information freely."<sup>94</sup>

McDonald's philanthropic practices detailed in this report do not fit such a model and, in contrast, expose the

corporation's reluctance to be transparent and honest. For example: 1) taking credit for the generosity of its customers with its own charitable giving; 2) not distinguishing between in-kind and cash donations; 3) claiming profits, the majority of which leave the communities they're generated in, as part of its philanthropic contributions; and 4) refusing requests for a more detailed breakdown.

### **McDonald's should abide by its voluntary pledge to not market in schools**

It's disingenuous at best for McDonald's to send Ronald McDonald into schools while also claiming the corporation does not market in that important setting.

### **Schools should reject McDonald's "partnerships" and funding**

Grade schools should not allow McDonald's to target children. A global brand mascot shouldn't be allowed to hawk anything, let alone unhealthy food, in schools. Regardless of the alleged charitable purposes, schools should reject visits from Ronald McDonald, and refuse to participate in such corporate charades as McTeacher's Night or "pop tab" collections. Some schools have policies to restrict certain commercial activities. For example, the Sarasota County School Board in Florida does not allow school facilities to be used for "promoting the interests of any commercial, political, or other non-school agency."<sup>95</sup>

While times are tough, the price to be paid for accepting McDonald's money is just too high. There are precedents for



taking such action. For several years, Sesame Workshop—the nonprofit behind the PBS children’s program, *Sesame Street*—received millions of dollars in sponsorship funds from McDonald’s. The relationship caused controversy as several groups spoke out in protest, in particular over children’s health concerns.<sup>96</sup> Though Sesame Workshop was initially defensive, it eventually ended the six-year relationship, apparently realizing the money wasn’t worth tarnishing its reputation over.<sup>97</sup> Today, Sesame Workshop is thriving with other sources of funding.

There is also precedent for rejecting corporate sponsorship from by the World Health Organization’s global tobacco treaty, formally known as the Framework Convention on Tobacco Control. The treaty encourages organizations to reject any corporate contribution that could promote tobacco products or tobacco use, and

oppose “corporate social responsibility” campaigns through which tobacco corporations’ donations function as a form of sponsorship.<sup>98</sup> While we may be a long way off from such a global policy regarding fast food, the concepts are the same. By promoting its brand through charity, McDonald’s is engaging in a stealth form of advertising for a product that similarly contributes to a staggering human health crisis.

### Conclusion

Times have changed since 1974 when the first Ronald McDonald House was founded. We are now in the midst of a public health crisis among adults and children alike. We can no longer allow McDonald’s to exploit charity as a vehicle for marketing a junk food brand to kids and as a shield from criticism for the corporation’s central role in today’s epidemic of diet-related disease.

## APPENDIX

### METHODOLOGY FOR ESTIMATED RANGE OF GIVING BY McDONALD'S CORPORATE TO RONALD MCDONALD HOUSE CHARITIES (GLOBAL)

While RMHC does not disclose the specific amounts of money given by its donors, we were able to piece this together from various sources. The available data established the donations that were not given by McDonalds, allowing us to estimate an upper bound on what McDonald's could possibly be giving to the RMHC global entity.

For instance, RMHC lists its corporate partners on its website who give at certain levels each year. These figures don't specify if they are cash-only gifts, and in some places indicate in-kind donations, so we assumed they represent a combination of both cash plus in-kind giving.

Adding together the minimum amount that these partners could have given came to \$3.55 million. We also used various disclosures in RMHC's audited financial statements about cash donations, and added those to the corporate partners'

minimum donations. This amounts to a total of \$25.7 million in 2012. In addition, RMHC's 990 form for 2012 indicates that they received approximately \$970,000 in in-kind donations aside from McDonald's. Subtracting this (rounded to the nearest hundred-thousand) reveals that RMHC received at least \$24.7 million in cash donations from donors besides McDonald's in 2012.

Subtracting that from the total amount of contributions RMHC receives, we see that McDonald's could not have donated more than about \$5.7 million in 2012. When combined with the in-kind goods and services, this means McDonald's contributed no more than 27.4% of RMHC's revenue. However, this assumes that RMHC has no other smaller donors or unidentified contributions, which is not likely; therefore this figure is an overestimate.

**See next page for table.**

## Calculation of McDonald's Donations to RMHC (2012)

			SOURCE
1	RMHC revenue - cash donations received	\$30.4 million	RMHC audited financials
2	RMHC revenue - donated goods and services	\$6.0 million	"
3	RMHC revenue - total	\$36.5 million	"
4	Donations from "independent fundraising"	\$11.8 million	"
5	Event proceeds	\$4.5 million	"
6	Remittance from chapters	\$5.8 million	"
7	Donations from "signature" partners (minimum)	\$1.5 million	rmhc.org
8	Donations from "official" partners (minimum)	\$1.3 million	"
9	Donations from "friends" (minimum)	\$0.8 million	"
10	Total donations not from McDonald's	\$25.7 million	Total of lines 4 through 9
11	In-kind donations not from McDonald's	\$1.0 million	RMHC 2012 IRS tax return
12	Total cash donations not from McDonald's	\$24.7 million	Subtracting line 11 from line 10
13	Maximum cash donations that could be from McDonald's (but is likely an overestimate)	\$5.7 million	Subtracting line 12 from line 1
14	Minimum cash donations from McDonald's	\$1.0 million	rmhc.org
15	McDonald's in-kind donations	\$4.3 million	RMHC audited financials
16	Maximum percentage of RMHC revenue from McDonald's (cash plus in-kind)	27.4%	Maximum McDonald's cash plus in-kind (total of lines 13 and 15) divided by RMHC total revenue (line 3)
17	Minimum percentage of RMHC revenue from McDonald's (cash plus in-kind)	14.5%	Minimum McDonald's cash plus in-kind (total of lines 14 and 15) divided by RMHC total revenue (line 3)

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