

MCDONALDS CORP
Form 11-K
June 28, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(MARK ONE)

Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2005

Or

Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 1-5231

A. Full title of the plan and the address of the plan, if different from that of the issuer named below

McDonald's Corporation Profit Sharing and Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office
McDonald's Corporation

McDonald's Plaza

Oak Brook, Illinois 60523

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McDonald's Corporation Profit Sharing and Savings Plan

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FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

McDonald's Corporation Profit Sharing and Savings Plan

December 31, 2005 and 2004, and Year Ended December 31, 2005

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McDonald's Corporation Profit Sharing and Savings Plan

Financial Statements and Supplemental Schedule

December 31, 2005 and 2004, and Year Ended December 31, 2005

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Report of Independent Registered Public Accounting Firm

The Administrative Committee

McDonald's Corporation Profit Sharing and Savings Plan

We have audited the accompanying statements of net assets available for benefits of McDonald's Corporation Profit Sharing and Savings Plan (the Plan) as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's Administrative Committee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's Administrative Committee. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Ernst & Young LLP

June 15, 2006

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McDonald's Corporation Profit Sharing and Savings Plan

Statement of Net Assets Available for Benefits

December 31, 2005

(In Thousands)

	Participant-	ESOP		Total
	Directed Investments	Allocated Account	Unallocated Account*	
Assets				
Investments:				
Interest in Master Trust	\$ 1,469,499	\$ 208,520	\$	\$ 1,678,019
Commercial paper and other short-term investments			4,162	4,162
McDonald's Corporation common stock			203,815	203,815
Participant loans	17,168			17,168
Total investments	1,486,667	208,520	207,977	1,903,164
Receivables:				
Company contributions	15,242			15,242
Accrued income	8	12	14	34
Other	4,329	(176)	(4,144)	9
Total receivables	19,579	(164)	(4,130)	15,285
Total assets	1,506,246	208,356	203,847	1,918,449
Liabilities				
Management and administrative expenses payable	(1,608)	(16)		(1,624)
Accrued interest expense			(2,760)	(2,760)
Notes payable			(86,433)	(86,433)
Other liabilities	(496)	(79)		(575)
Total liabilities	(2,104)	(95)	(89,193)	(91,392)
Net assets available for benefits	\$ 1,504,142	\$ 208,261	\$ 114,654	\$ 1,827,057

* *Nonparticipant-directed investment (see Note 5).*

The accompanying notes are an integral part of these financial statements.

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McDonald's Corporation Profit Sharing and Savings Plan

Statement of Net Assets Available for Benefits

December 31, 2004

(In Thousands)

	Participant-	ESOP		Total
	Directed Investments	Allocated Account	Unallocated Account*	
Assets				
Cash overdraft	\$ (797)	\$	\$	\$ (797)
Investments:				
Commercial paper and other short-term investments	32,128	4,484	4,667	41,279
Mutual funds	196,042			196,042
Common and preferred stocks other than McDonald's Corporation	149,505			149,505
Securities loaned through securities lending arrangement:				
Common and preferred stocks other than McDonald's Corporation common stock	23,910			23,910
McDonald's Corporation common stock	630,051	228,456	215,098	1,073,605
Participant loans	18,145			18,145
Pooled cash collateral account	35,792			35,792
Investments, at contract value:				
Investment contracts	381,136			381,136
Securities loaned through securities lending arrangement:				
Investment contracts	12,167			12,167
Total investments	1,478,876	232,940	219,765	1,931,581
Receivables:				
Company contributions	36,008			36,008
Accrued income	194	5	7	206
Other	402	(121)		281
Total receivables	36,604	(116)	7	36,495
Total assets	1,514,683	232,824	219,772	1,967,279
Liabilities				
Management and administrative expenses payable	2,116	38		2,154
Accrued interest expense			2,847	2,847
Obligation for collateral received for loaned securities	35,792			35,792
Notes payable			93,386	93,386
Other liabilities	78		279	357
Total liabilities	37,986	38	96,512	134,536
Net assets available for benefits	\$ 1,476,697	\$ 232,786	\$ 123,260	\$ 1,832,743

* Nonparticipant-directed investment (see Note 5).

The accompanying notes are an integral part of these financial statements.

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McDonald's Corporation Profit Sharing and Savings Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2005

(In Thousands)

	Participant-	ESOP		Total
	Directed Investments	Allocated Account	Unallocated Account*	
Net investment income				
Interest in Master Trust's earnings and expenses	\$ 94,869	\$ 13,200	\$	\$ 108,069
Interest			171	171
Dividends			4,050	4,050
Net realized and unrealized appreciation in fair value of investments			9,633	9,633
Interest on participant loans	164	1,221		1,385
Interest expense			(6,518)	(6,518)
Total net investment income	95,033	14,421	7,336	116,790
Contributions				
Company	47,293	9,635	4,976	61,904
Participant	41,458			41,458
Total contributions	88,751	9,635	4,976	103,362
Allocations				
Company matching with profit-sharing forfeitures	(1,530)			(1,530)
Company matching with ESOP shares			(20,916)	(20,916)
Total allocations	(1,530)		(20,916)	(22,446)
Other changes				
Benefits paid to terminated participants and withdrawals	(136,288)	(21,896)		(158,184)
Management and administrative fees	(3,795)	(319)		(4,114)
Managed account fees	(79)	(12)		(91)
Interfund transfers (net)	23,242	(23,242)		&nbs