

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND  
1004 7TH AVENUE HOLDING CORPORATION  
  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND  
1004 7TH AVENUE HOLDING CORPORATION  
CONTENTS  
DECEMBER 31, 2019 AND 2018**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>AUDITED FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position .....	2
Consolidated Statements of Activities .....	3
Consolidated Statements of Functional Expenses .....	5
Consolidated Statements of Cash Flows .....	7
Notes to the Consolidated Financial Statements .....	8
<b>AUDITED CONSOLIDATING FINANCIAL STATEMENTS</b>	
Independent Auditors' Report on Consolidating Information .....	22
Consolidating Statement of Financial Position .....	23
Consolidating Statement of Activities .....	24



CLA (CliftonLarsonAllen LLP)  
801 Cherry Street, Suite 1400  
Fort Worth, TX 76102  
817-877-5000 | fax 817-877-5330  
CLAconnect.com

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Ronald McDonald House of Fort Worth, Inc.  
Fort Worth, Texas

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Ronald McDonald House of Fort Worth, Inc. and 1004 7th Avenue Holding Corporation which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ronald McDonald House of Fort Worth, Inc. and 1004 7th Avenue Holding Corporation as of December 31, 2019 and 2018, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Worth, Texas  
May 19, 2020

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>		
	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,048,043	\$ 718,862
Certificates of Deposit	-	311,967
Accounts Receivable, Net	14,440	5,611
Contributions Receivable, Net	75,457	51,791
Prepaid Expenses	38,199	25,442
Total Current Assets	1,176,139	1,113,673
<b>NONCURRENT ASSETS</b>		
Contributions Receivable, Net	9,375	19,375
Note Receivable	7,665,100	7,665,100
Investments	6,030,002	4,515,005
Property and Equipment, Net	8,450,057	9,055,315
Total Noncurrent Assets	22,154,534	21,254,795
<b>TOTAL ASSETS</b>	<b>\$ 23,330,673</b>	<b>\$ 22,368,468</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 113,278	\$ 37,571
Deferred Revenue	54,118	34,600
Total Current Liabilities	167,396	72,171
<b>NONCURRENT LIABILITIES</b>		
Notes Payable	10,590,000	10,590,000
Less: Unamortized Debt Issuance Costs	(378,016)	(416,877)
Total Noncurrent Liabilities	10,211,984	10,173,123
Total Liabilities	10,379,380	10,245,294
<b>NET ASSETS</b>		
Without Donor Restrictions	11,574,884	10,427,846
With Donor Restrictions	1,376,409	1,695,328
Total Net Assets	12,951,293	12,123,174
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,330,673</b>	<b>\$ 22,368,468</b>

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

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2019 TOTAL</b>
<b><u>REVENUES AND OTHER SUPPORT</u></b>			
Contributions	\$ 2,053,636	\$ 125,233	\$ 2,178,869
Special Events Revenue	1,176,154	-	1,176,154
Room Donations/Fees	186,430	-	186,430
Interest Income on Notes Receivable	206,804	-	206,804
Net Assets Released From Restrictions	444,152	(444,152)	-
	<u>4,067,176</u>	<u>(318,919)</u>	<u>3,748,257</u>
<b><u>EXPENSES</u></b>			
Program Services	2,464,948	-	2,464,948
Cost of Direct Benefits to Donors	501,228	-	501,228
Management and General	351,688	-	351,688
Fundraising	398,937	-	398,937
	<u>3,716,801</u>	<u>-</u>	<u>3,716,801</u>
	350,375	(318,919)	31,456
<b><u>CHANGE IN NET ASSETS FROM OPERATIONS</u></b>			
	796,663	-	796,663
<b><u>INVESTMENT INCOME (LOSS), NET</u></b>			
	1,147,038	(318,919)	828,119
<b><u>CHANGE IN NET ASSETS</u></b>			
	10,427,846	1,695,328	12,123,174
<b><u>NET ASSETS</u> - Beginning of Year</b>			
	<u>\$ 11,574,884</u>	<u>\$ 1,376,409</u>	<u>\$ 12,951,293</u>
<b><u>NET ASSETS</u> - End of Year</b>			

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

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 TOTAL</u>
<b><u>REVENUES AND OTHER SUPPORT</u></b>			
Contributions	\$ 1,517,188	\$ 114,816	\$ 1,632,004
Special Events Revenue	1,049,211	-	1,049,211
Room Donations/Fees	137,626	-	137,626
Interest Income on Notes Receivable	206,804	-	206,804
Net Assets Released From Restrictions	138,265	(138,265)	-
	<u>3,049,094</u>	<u>(23,449)</u>	<u>3,025,645</u>
<b><u>EXPENSES</u></b>			
Program Services	2,451,152	-	2,451,152
Cost of Direct Benefits to Donors	456,332	-	456,332
Management and General	332,900	-	332,900
Fundraising	380,428	-	380,428
	<u>3,620,812</u>	<u>-</u>	<u>3,620,812</u>
	(571,718)	(23,449)	(595,167)
<b><u>CHANGE IN NET ASSETS FROM OPERATIONS</u></b>			
	<u>(264,817)</u>	<u>-</u>	<u>(264,817)</u>
<b><u>INVESTMENT INCOME (LOSS), NET</u></b>			
	(836,535)	(23,449)	(859,984)
<b><u>CHANGE IN NET ASSETS</u></b>			
<b><u>NET ASSETS</u></b> - Beginning of Year	<u>11,264,381</u>	<u>1,718,777</u>	<u>12,983,158</u>
<b><u>NET ASSETS</u></b> - End of Year	<u>\$ 10,427,846</u>	<u>\$ 1,695,328</u>	<u>\$ 12,123,174</u>

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

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>2019 TOTAL</u>
Salaries and Wages	\$ 677,978	\$ 164,838	\$ 225,710	\$ -	\$ 1,068,526
Employee Benefits	102,612	13,893	25,853	-	142,358
Payroll Taxes	50,841	12,364	16,923	-	80,128
Total Salaries and Related Expenses	831,431	191,095	268,486	-	1,291,012
Events and Catering	-	-	-	459,993	459,993
Advertising and Marketing	42	-	27,496	41,235	68,773
Automobile/Transportation	3,294	1,056	-	-	4,350
Cleaning Services and Supplies	52,335	1,221	1,221	-	54,777
Depreciation	672,623	17,701	17,701	-	708,025
Family Support Services and Supplies	344,242	4,941	5,631	-	354,814
Insurance	71,262	1,662	1,662	-	74,586
Interest	207,670	38,861	-	-	246,531
Linens and Laundry	25,408	-	-	-	25,408
Maintenance and Repairs	122,864	2,811	2,872	-	128,547
Meetings, Education and Training	4,041	16,174	1,091	-	21,306
Postage and Printing	5,186	1,578	18,578	-	25,342
Professional Fees	8,265	60,952	32,956	-	102,173
Technology	18,959	442	442	-	19,843
Telephone	9,649	2,141	-	-	11,790
Utilities	82,813	1,931	1,931	-	86,675
Volunteers	3,181	57	7,278	-	10,516
Other	1,683	9,065	11,592	-	22,340
Total Expenses	<u>\$ 2,464,948</u>	<u>\$ 351,688</u>	<u>\$ 398,937</u>	<u>\$ 501,228</u>	<u>\$ 3,716,801</u>

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

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>2018 TOTAL</u>
Salaries and Wages	\$ 615,573	\$ 155,559	\$ 220,340	\$ -	\$ 991,472
Employee Benefits	97,577	10,108	34,508	-	142,193
Payroll Taxes	45,860	11,589	16,411	-	73,860
Total Salaries and Related Expenses	759,010	177,256	271,259	-	1,207,525
Events and Catering	-	-	-	402,507	402,507
Advertising and Marketing	100	-	12,662	52,600	65,362
Automobile/Transportation	2,447	722	35	115	3,319
Cleaning Services and Supplies	51,018	1,343	1,343	-	53,704
Depreciation	679,429	17,880	17,880	-	715,189
Family Support Services and Supplies	351,101	1,255	7,166	545	360,067
Grants - Family Room	15,700	-	-	-	15,700
Insurance	72,507	137	470	-	73,114
Interest	207,670	38,861	-	-	246,531
Linens and Laundry	24,081	-	-	-	24,081
Maintenance and Repairs	153,507	4,039	4,040	-	161,586
Meetings, Education and Training	1,735	24,104	1,535	-	27,374
Postage and Printing	5,015	1,449	22,800	-	29,264
Professional Fees	-	57,680	30,156	-	87,836
Technology	25,313	666	666	-	26,645
Telephone	9,271	2,111	-	-	11,382
Utilities	84,857	-	-	-	84,857
Volunteers	4,415	75	18	-	4,508
Other	3,976	5,322	10,398	565	20,261
Total Expenses	<u>\$ 2,451,152</u>	<u>\$ 332,900</u>	<u>\$ 380,428</u>	<u>\$ 456,332</u>	<u>\$ 3,620,812</u>

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



**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in Net Assets	\$ 828,119	\$ (859,984)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	708,025	715,189
Amortization	38,861	38,861
Bad Debt Expense	-	1,500
Net (Appreciation) Depreciation of Investments	(676,046)	364,225
Contributions Donor Restricted for Long-Term Purposes	23,366	(110,584)
(Increase) decrease in operating assets:		
Accounts Receivable	(8,829)	9,298
Contributions Receivable	(13,666)	111,529
Prepaid Expenses	(12,757)	(854)
Increase (decrease) in operating liabilities:		
Accounts Payable and Accrued Liabilities	75,707	(37,709)
Deferred Revenue	19,518	7,546
	<b>982,298</b>	<b>239,017</b>
Net Cash Provided by Operating Activities		
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of Property and Equipment	(102,767)	(52,671)
Purchases of Certificates of Deposit	-	(311,967)
Proceeds from Maturities of Certificates of Deposit	311,967	107,804
Purchases of Investments	(3,295,869)	(1,657,139)
Proceeds from Sale of Investments	2,456,918	1,543,142
	<b>(629,751)</b>	<b>(370,831)</b>
Net Cash Used in Investing Activities		
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Donor Restricted Contributions Received for Long-Term Purposes	(23,666)	81,634
Donor Restricted Endowment Fund Contributions Received	300	28,950
	<b>(23,366)</b>	<b>110,584</b>
Net Cash Provided by (Used in) Financing Activities		
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	<b>329,181</b>	<b>(21,230)</b>
<b><u>CASH AND CASH EQUIVALENTS</u></b> - Beginning of Year	<b>718,862</b>	<b>740,092</b>
<b><u>CASH AND CASH EQUIVALENTS</u></b> - End of Year	<b>\$ 1,048,043</b>	<b>\$ 718,862</b>
<b><u>NONCASH INVESTING AND FINANCING ACTIVITIES</u></b>		
Interest Paid	<b>\$ 207,670</b>	<b>\$ 207,670</b>

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

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 - ORGANIZATION AND OPERATIONS**

Ronald McDonald House of Fort Worth, Inc. (“the Organization”) is a Texas nonprofit corporation. 1004 7<sup>th</sup> Avenue Holding Corporation (“the Holding Corporation”) is a Texas not-for-profit corporation, organized to support its sole member, Ronald McDonald House of Fort Worth, Inc. by providing financial and other resources to assist the Organization in achieving the fulfillment of its mission. Specifically, the Holding Corporation will develop and lease certain real property to the Organization to be used for administration and programs.

The mission of the Organization is to create, find and support programs that directly improve the health and well-being of children and their families. The Organization ascribes to five core values: we are focused on the critical needs of children, we lead with compassion, we celebrate the diversity of our people and our programs, we value our heritage and we operate with accountability and transparency.

We fulfill our mission through operation of sustainable programs that enable family-centered care, bridge access to quality health care, are a vital part of the health care continuum and strengthen families during difficult times. The following program, operated by the Organization, represents its core function: When children must travel long distances to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in North Texas, which provides temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers’ ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements include the accounts of Ronald McDonald House of Fort Worth, Inc. and 1004 7<sup>th</sup> Avenue Holding Corporation (collectively, “the Organization”), since they are financially interrelated organizations. Significant intercompany transactions and balances have been eliminated in the consolidation.

**BASIS OF PRESENTATION**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

**MEASURE OF OPERATIONS**

The Organization’s change in net assets from operations on the consolidated statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other non-operating funds to support current operating activities. The measure of operations excludes investment return on investments.

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

**CASH AND 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. Money market accounts and short-term investments of permanently restricted monies are not considered to be cash equivalents since these funds are of a permanent nature. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash. The Organization did not have any cash equivalents as of December 31, 2019 or 2018.

**ACCOUNTS RECEIVABLE**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. As of December 31, 2019 and 2018, no allowance for doubtful accounts was deemed necessary. The accounts receivable at December 31, 2019 and 2018, respectively, of \$14,440 and \$5,611 represent the only contract assets of the Organization.

**CONTRIBUTIONS RECEIVABLE**

The Contributions receivable are unconditional promises to give. 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 (if material to the consolidated financial statements). The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible. At December 31, 2019 and 2018, no allowance for doubtful accounts was deemed necessary.

The Organization is, at some times, the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by probate court and the proceeds are measurable.

**INVESTMENTS**

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Realized and unrealized gains and losses and income, net of investment management and custodial fees, are included in the consolidated statements of activities.

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Organization diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Trustees which oversees the Organization's investment program in accordance with established guidelines.

**RONALD McDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost, if purchased, or estimated fair value, if donated, at the date of donation. Additions of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture, Fixtures and Equipment	3-7 years
Vehicles	5 years

Depreciation expense for the years ended December 31, 2019 and 2018 was \$708,025 and \$715,189, respectively.

**IMPAIRMENT OF LONG-LIVED ASSETS**

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

**DONATED ASSETS, PROPERTY AND EQUIPMENT, AND SERVICES**

Donated marketable securities, property and equipment, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the consolidated financial statements.

**DEFERRED REVENUE**

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate. As of December 31, 2019 and 2018, deferred revenue of \$54,118 and \$34,600 is the only contract liabilities of the Organization.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

**UNAMORTIZED DEBT ISSUANCE COSTS**

Debt issuance costs are being amortized over the term of the loan using the straight-line method and are carried at cost, less accumulated amortization. The amortization of these debt issuance costs for each of the years ended December 31, 2019 and 2018 was \$38,861 and are reflected in interest expense on the consolidated statements of functional expenses.

**NET ASSETS**

The Organization's net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets that are not subject to donor (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time. As of December 31, 2019 and 2018, the governing board has designated, from net assets without donor restrictions, net of \$4,474,979 and \$3,767,188, respectively. See Note 12 for additional details.

With donor restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**FINANCIAL INSTRUMENTS AND CREDIT RISK**

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization and the investment committee of the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

REVENUE AND REVENUE RECOGNITION

Contributions and Grants: Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Sponsorship Revenue: The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Special Event Revenue – Ticket Sales: The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

Third-party Reimbursements: Third-party reimbursements are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

FUNCTIONAL EXPENSES

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: cleaning services and supplies, depreciation, insurance, interest, maintenance and repairs and utilities, which are allocated primarily on a square footage basis; employee benefits and telephone, which are primarily allocated based on full-time equivalents; and salaries and wages and payroll taxes, which are allocated on the basis of estimates of time and effort.

INCOME TAX STATUS

The Ronald McDonald House of Fort Worth, Inc. and 1004 7<sup>th</sup> Avenue Holding Corporation are organized as Texas nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as organizations described in Internal Revenue Code (IRC) Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that each entity is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

The Organization has \$1,062,483 and \$1,036,440 of financial assets, as of December 31, 2019 and 2018, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the current assets section of the statement. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The current contributions receivable are subject to time restrictions, but will be collected within one year.

In addition, although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its board designated-endowment could be made available if necessary.

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

The Organization recognizes unconditional pledges as support in the period the pledge is made and reports them as contributions in the statement of activities. Contributions receivable at December 31, 2019 and 2018 are expected to be received as follows:

	<u>2019</u>	<u>2018</u>
Year Ending December 31, 2019	\$ -	\$ 51,791
Year Ending December 31, 2020	75,457	10,000
Year Ending December 31, 2021	<u>9,375</u>	<u>9,375</u>
Contributions Receivables- Gross	84,832	71,166
Less: Allowance for Uncollectible Accounts	<u>-</u>	<u>-</u>
Contributions Receivables- Net	<u>\$ 84,832</u>	<u>\$ 71,166</u>

The contribution receivable at December 31, 2019 and 2018 is reflected on the statements of financial position as follows:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Within Current Assets	\$ 75,457	\$ 51,791
Within Noncurrent Assets	<u>9,375</u>	<u>19,375</u>
Contributions Receivables- Net	<u>\$ 84,832</u>	<u>\$ 71,166</u>

Bad debt expense for the years ended December 31, 2019 and 2018 was \$-0- and \$1,500, respectively.

**NOTE 5 – NOTE RECEIVABLE**

At December 31, 2019 and 2018, the Organization has a note receivable from Chase NMTC RMH-FW Investment Fund, LLC in the amount of \$7,665,100 with interest payable quarterly at 2.698% through March 10, 2021. Principal and interest payments of the note are to commence in year 2021 with final payment due December 2037. The note is unsecured. This note receivable originated with the issuance of certain debt instruments reflected in Note 10 to the consolidated financial statements. However, there is not a right of offset with these debt instruments. The note receivable principal amounts are to be received as follows: Year 2020 = \$-0-; Year 2021 = \$360,482; Year 2022 = \$370,307; Year 2023 = \$380,399; Year 2024 = \$390,767 and thereafter is \$6,163,145.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 6 – FAIR VALUE MEASUREMENTS AND INVESTMENTS**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets measured on a recurring basis consist of investments. Investments as of December 31, 2019 consisted of the following:

Investment Description	Fair Value	Cost	Cumulative Unrealized Gain (Loss)
Money Market Mutual Funds	\$ 62,432	\$ 62,432	\$ -
U.S. Treasury Securities	508,605	508,605	-
Fixed Income Mutual Funds	2,367,006	2,321,175	45,831
Hedge Mutual Funds	68,809	69,673	(864)
Equity Mutual Funds- Domestic	1,924,314	1,358,758	565,556
Equity Mutual Funds- International	1,098,836	976,285	122,551
Total Investments - Level 1 Inputs	<u>\$ 6,030,002</u>	<u>\$ 5,296,928</u>	<u>\$ 733,074</u>

See Note 9, concerning certain investments used as collateral for the line of credit note, and Note 12 reflecting the above investments as \$4,390,147 as board designated endowment funds and \$1,131,250 as donor restricted endowment funds.

Investments as of December 31, 2018 consisted of the following:

Investment Description	Fair Value	Cost	Cumulative Unrealized Gain (Loss)
Money Market Mutual Funds	\$ 53,066	\$ 53,066	\$ -
Fixed Income Mutual Funds	1,941,831	1,987,723	(45,892)
Hedge Mutual Funds	58,001	59,293	(1,292)
Equity Mutual Funds- Domestic	1,494,972	1,311,174	183,798
Equity Mutual Funds- International	967,135	1,016,861	(49,726)
Total Investments - Level 1 Inputs	<u>\$ 4,515,005</u>	<u>\$ 4,428,117</u>	<u>\$ 86,888</u>



**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 6 – FAIR VALUE MEASUREMENTS AND INVESTMENTS - Continued**

See Note 12 reflecting the above investments as \$3,384,055 as board designated endowment funds and \$1,130,950 as donor restricted endowment funds.

The total investment return from investments and certificates of deposit for the years ended December 31, 2019 and 2018 is as follows:

Description	2019	2018
Interest and Dividend Income on Investments	\$ 142,048	\$ 129,971
Interest Income on Certificates of Deposit and Other	13,069	5,340
Fiduciary Fees Paid	(34,500)	(35,903)
Total Interest and Dividend Income - Net	120,617	99,408
Realized Gain on Sale of Investments	29,669	34,731
Unrealized Appreciation (Depreciation) on Investments	646,377	(398,956)
Investment Income (Loss), Net	<u>\$ 796,663</u>	<u>\$ (264,817)</u>

**NOTE 7 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following as of December 31, 2019 and 2018:

	2019	2018
Land	\$ 1,898,233	\$ 1,898,233
Buildings	14,277,120	14,206,631
Furniture, Fixtures and Equipment	1,183,416	1,151,138
Vehicles	33,582	33,582
Total Property and Equipment	17,392,351	17,289,584
Less: Accumulated Depreciation	<u>(8,942,294)</u>	<u>(8,234,269)</u>
Property and Equipment, Net	<u>\$ 8,450,057</u>	<u>\$ 9,055,315</u>

Depreciation expense was \$708,025 and \$715,189 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 8 - DONATED PROPERTY, GOODS AND SERVICES**

A number of local individuals and businesses have donated goods and services to the Organization to assist in its operations. These donations have been recorded at the fair value of goods or services received. Donated goods and services for operations of \$257,795 and \$289,645, respectively, for the years ended December 31, 2019 and 2018, are reflected in the consolidated statements of activities.

Additionally, the Organization received donated goods and services for their special events. This amounted to \$229,850 and \$209,638 for the years ended December 31, 2019 and 2018, respectively. See Note 14 for additional details.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 9 – LINE OF CREDIT NOTE**

The Organization established a line of credit on July 31, 2013 with a financial institution for a maximum amount of \$2,000,000. Interest is payable monthly at the one month LIBOR rate plus 2.00%. The line of credit is secured by one of the Organization's sub-investment accounts. The balance of the investments securing this line of credit was \$4,955,206 at December 31, 2019. The outstanding balance on the line of credit as of December 31, 2019 and 2018 was \$-0-. The line of credit matures on November 30, 2020. The one month LIBOR rate was 1.71% at December 31, 2019.

Interest expense for the years ended December 31, 2019 and 2018 on this line of credit note was \$-0-.

**NOTE 10 – NOTES PAYABLE**

The Organization, specifically 1004 7th Avenue Holding Corporation, was obligated on the following notes payable as of December 31, 2019 and 2018:

Payable To and Terms:	Amount
NDC New Markets Investments LXXXVI, (Loan A) interest accrued monthly, paid quarterly, at 1.961% until 1/1/2021, then principal and interest is due quarterly until maturity at 12/31/2043.	\$ 4,788,700
NDC New Markets Investments LXXXVI, (Loan B) interest accrued monthly, paid quarterly, at 1.961% until 1/1/2021, then principal and interest is due quarterly until maturity at 12/31/2043.	2,001,300
Community Development Funding XVII, LLC, (Loan A) interest accrued monthly, paid quarterly, at 1.961% until 1/1/2021, then principal and interest is due quarterly until maturity at 12/31/2043.	2,876,400
Community Development Funding XVII, LLC, (Loan B) interest accrued monthly, paid quarterly, at 1.961% until 1/1/2021, then principal and interest is due quarterly until maturity at 12/31/2043.	923,600
Total Notes Payable	\$ 10,590,000

All of the above notes are secured by the deed of trust on the Organization's property.

The two "Loan B" notes payable, may be paid off early in year 2021, without any penalties, at a discount of \$2,001,300 and \$923,600, respectively, to the principal balance above. There is no such option on the two "Loan A" notes payable. Otherwise, the principal payments are due as follows: Year 2020 = \$-0-; Year 2021 = \$469,534; Year 2022 = \$371,734; Year 2023 = \$379,078; Year 2024 = \$386,568 and thereafter is \$8,983,086.

Interest expense for each of the years ended December 31, 2019 and 2018 on the above notes payable was \$207,670.

**NOTE 11 – EMPLOYEE BENEFIT PLAN**

During 2000 the Organization started a Simple IRA Plan whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting certain service requirements. Employees could elect to contribute up to \$13,000 in year 2019 and \$12,500 in year 2018 (exclusive of additional \$3,000 for those aged 50 or over). The Company's contribution obligation is 3.0 percent of the employee's gross pay for the employees who participated in the Plan. During the years ended December 31, 2019 and 2018 the Organization made contributions in the amounts of \$22,184 and \$23,774, respectively. Contribution expense is included in employee benefits expense on the consolidated statements of functional expenses.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 12 – NET ASSETS WITHOUT AND WITH DONOR RESTRICTIONS**

Net assets without donor restrictions consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unexpended	\$ 1,196,732	\$ 113,366
Board Designated - Repair & Replacement	-	311,967
Board Designated - Construction	84,832	71,166
Board Designated - Endowment	4,390,147	3,384,055
Expended - Property and Equipment, Net of Debt	<u>5,903,173</u>	<u>6,547,292</u>
Total Net Assets Without Donor Restrictions	<u>\$ 11,574,884</u>	<u>\$ 10,427,846</u>

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Program Activities		
Family Room at Cook Children's Hospital	\$ 36,880	\$ 36,880
Bed Mattresses and Linens	-	351,506
House Equipment/Remodel/Other	1,139	1,139
Kroc - House Operations	95,267	95,267
Meals from the Heart	<u>111,873</u>	<u>59,586</u>
Subtotal	245,159	544,378
Endowments:		
Restricted by Donors for General Use	1,131,250	1,130,950
Subject to passage of time:		
For Periods after December 31st	<u>-</u>	<u>20,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,376,409</u>	<u>\$ 1,695,328</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Family Room at Cook Children's Hospital	\$ -	\$ 15,797
Capital Improvements	56,000	-
Bed Mattresses and Linens	351,506	27,898
House Equipment/Remodel/Other	-	10,846
Meals from the Heart	<u>16,646</u>	<u>13,724</u>
	424,152	68,265
Time restrictions expired:		
Passage of Specified Time	<u>20,000</u>	<u>70,000</u>
Total Restrictions Released	<u>\$ 444,152</u>	<u>\$ 138,265</u>

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 13 - ENDOWMENT FUNDS**

**DONOR RESTRICTED ENDOWMENTS**

Donor restricted endowment net assets represent investments in perpetuity, the income from which is expendable to support ongoing programmatic operations of the Organization. Income on these investments is unrestricted and composed of interest, dividends, realized and unrealized gains or losses. The majority of the permanently restricted assets originated from the \$496,250 donation of McDonald's common stock by Mrs. Kroc in 1993. Total permanently restricted contributions received as of December 31, 2019 and 2018 was \$1,131,250 and \$1,130,950, respectively.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument as the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor restricted net assets is classified as without donor restrictions net assets. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the Organization and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the Organization.
- 7) The investment policies of the Organization.

**BOARD-DESIGNATED ENDOWMENTS (WITHOUT DONOR RESTRICTIONS)**

As of December 31, 2019 and 2018, the Board of Directors has designated \$4,390,147 and \$3,384,055 respectively, of without donor restricted net assets as a general endowment to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as without donor restrictions net assets.

**RETURN OBJECTIVES AND RISK PARAMETERS**

The Organization has a spending policy available of appropriating for distribution each year 5% of the rolling average of the previous five fiscal years' (September 30<sup>th</sup>) investment balance of the Board-Designated Endowment. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment funds to grow at an average of 5% (adjusted for inflation) annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 13 - ENDOWMENT FUNDS - Continued**

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To achieve these objectives, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% (if desired), while growing the fund if possible. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% (adjusted for inflation) annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Following is a progression of the donor restricted and board designated, without donor restrictions, endowment funds:

Description	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - December 31, 2017	\$ 3,663,232	\$ 1,102,001	\$ 4,765,233
Investment return, net	(270,157)	-	(270,157)
Donor Restricted Contributions	-	28,949	28,949
Funds to be Transferred from Operating Cash	(9,020)	-	(9,020)
Appropriation of endowment assets for expenditure	-	-	-
Endowment Net Assets - December 31, 2018	3,384,055	1,130,950	4,515,005
Investment return, net	783,594	-	783,594
Donor Restricted Contributions	-	300	300
Funds Transferred from Operating Cash	222,498	-	222,498
Appropriation of endowment assets for expenditure	-	-	-
Endowment Net Assets - December 31, 2019	<u>\$ 4,390,147</u>	<u>\$ 1,131,250</u>	<u>\$ 5,521,397</u>
Board-Designated Endowment Funds	\$ 4,390,147	\$ -	\$ 4,390,147
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	1,131,250	1,131,250
Portion subject to appropriation under UPMIFA	-	-	-
Total Funds	<u>\$ 4,390,147</u>	<u>\$ 1,131,250</u>	<u>\$ 5,521,397</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 14 – SPECIAL EVENTS**

The Organization held the following special events during the year ended December 31, 2019. A summary of these activities is as follows:

Description of Event	Support	Direct Costs	Gross Profit
Wild Game	\$ 485,309	\$ 135,339	\$ 349,970
Wild Game - Donated goods and services	145,350	145,350	-
Roadhouse	460,995	136,039	324,956
Roadhouse - Donated goods and services	84,500	84,500	-
Special Events - Net	<u>\$ 1,176,154</u>	<u>\$ 501,228</u>	<u>\$ 674,926</u>

The Organization held the following special events during the year ended December 31, 2018. A summary of these activities is as follows:

Description of Event	Support	Direct Costs	Gross Profit
Wild Game	\$ 489,928	\$ 128,150	\$ 361,778
Wild Game - Donated goods and services	118,664	118,664	-
Roadhouse	320,327	109,785	210,542
Roadhouse - Donated goods and services	90,974	90,974	-
House Talk	29,318	8,759	20,559
Special Events - Net	<u>\$ 1,049,211</u>	<u>\$ 456,332</u>	<u>\$ 592,879</u>

**NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's consolidated financial statements reflect the application of ASC 606 guidance on a modified retrospective basis beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, Accounting Guidance for Contributions Received and Made. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.  
AND 1004 7TH AVENUE HOLDING CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 16 – RECENT ACCOUNTING PRONOUNCEMENT**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's consolidated financial statements.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 19, 2020 the date on which the consolidated financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including investment returns and the ability of donors to give. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year end, the Organization received a loan in the amount of \$231,021 to fund payroll through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.



CLA (CliftonLarsonAllen LLP)  
801 Cherry Street, Suite 1400  
Fort Worth, TX 76102  
817-877-5000 | fax 817-877-5330  
CLAconnect.com

## **INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION**

Board of Directors  
Ronald McDonald House of Fort Worth, Inc.  
Fort Worth, Texas

We have audited the consolidated financial statements of Ronald McDonald House of Fort Worth, Inc. and 1004 7th Avenue Holding Corporation as of and for the year ended December 31, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Worth, Texas  
May 19, 2020



**RONALD McDONALD HOUSE OF FORT WORTH, INC. AND AFFILIATE  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019  
SEE INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION**

	<b>Ronald McDonald House of Fort Worth, Inc.</b>	<b>1004 7th Avenue Holding Corporation</b>	<b>Eliminations</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 876,402	\$ 171,641	\$ -	\$ 1,048,043
Accounts Receivable, Net	31,129	-	(16,689)	14,440
Contributions Receivable, Net	75,457	-	-	75,457
Prepaid Expenses	38,199	-	-	38,199
Total Current Assets	<u>1,021,187</u>	<u>171,641</u>	<u>(16,689)</u>	<u>1,176,139</u>
<b>NONCURRENT ASSETS</b>				
Contributions Receivable, Net	9,375	-	-	9,375
Note Receivable	7,665,100	-	-	7,665,100
Investments	6,030,002	-	-	6,030,002
Property and Equipment, Net	1,183,870	7,266,187	-	8,450,057
Total Noncurrent Assets	<u>14,888,347</u>	<u>7,266,187</u>	<u>-</u>	<u>22,154,534</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 15,909,534</u></u>	<u><u>\$ 7,437,828</u></u>	<u><u>\$ (16,689)</u></u>	<u><u>\$ 23,330,673</u></u>
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 111,728	\$ 18,239	\$ (16,689)	\$ 113,278
Deferred Revenue	54,118	-	-	54,118
Total Current Liabilities	<u>165,846</u>	<u>18,239</u>	<u>(16,689)</u>	<u>167,396</u>
<b>NONCURRENT LIABILITIES</b>				
Notes Payable	-	10,590,000	-	10,590,000
Less: Unamortized Debt Issuance Costs	-	(378,016)	-	(378,016)
Total Noncurrent Liabilities	<u>-</u>	<u>10,211,984</u>	<u>-</u>	<u>10,211,984</u>
Total Liabilities	<u>165,846</u>	<u>10,230,223</u>	<u>(16,689)</u>	<u>10,379,380</u>
<b>NET ASSETS</b>				
Without Donor Restrictions	14,367,279	(2,792,395)	-	11,574,884
With Donor Restrictions	1,376,409	-	-	1,376,409
Total Net Assets	<u>15,743,688</u>	<u>(2,792,395)</u>	<u>-</u>	<u>12,951,293</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 15,909,534</u></u>	<u><u>\$ 7,437,828</u></u>	<u><u>\$ (16,689)</u></u>	<u><u>\$ 23,330,673</u></u>

**RONALD McDONALD HOUSE OF FORT WORTH, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**SEE INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION**

	<b>Ronald McDonald House of Fort Worth, Inc.</b>	<b>1004 7th Avenue Holding Corporation</b>	<b>Eliminations</b>	<b>Total</b>
<b><u>REVENUES AND OTHER SUPPORT</u></b>				
Contributions	\$ 2,178,869	\$ -	\$ -	\$ 2,178,869
Special Events Revenue	1,176,154	-	-	1,176,154
Room Donations/Fees	186,430	-	-	186,430
Interest Income on Notes Receivable	206,804	-	-	206,804
Rent Income	-	208,000	(208,000)	-
Total Revenues and Other Support	<u>3,748,257</u>	<u>208,000</u>	<u>(208,000)</u>	<u>3,748,257</u>
<b><u>EXPENSES</u></b>				
Program Services	1,889,376	783,572	(208,000)	2,464,948
Cost of Direct Benefits to Donors	501,228	-	-	501,228
Management and General	263,172	88,516	-	351,688
Fundraising	383,782	15,155	-	398,937
Total Expenses	<u>3,037,558</u>	<u>887,243</u>	<u>(208,000)</u>	<u>3,716,801</u>
<b><u>CHANGE IN NET ASSETS FROM OPERATIONS</u></b>	710,699	(679,243)	-	31,456
<b><u>INVESTMENT INCOME (LOSS), NET</u></b>	795,707	956	-	796,663
<b><u>CHANGE IN NET ASSETS</u></b>	1,506,406	(678,287)	-	828,119
<b><u>NET ASSETS</u></b> - Beginning of Year	14,237,282	(2,114,108)	-	12,123,174
<b><u>NET ASSETS</u></b> - End of Year	<u>\$ 15,743,688</u>	<u>\$ (2,792,395)</u>	<u>\$ -</u>	<u>\$ 12,951,293</u>