RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND
1004 7TH AVENUE HOLDING CORPORATION

COMBINED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012

RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND
1004 7TH AVENUE HOLDING CORPORATION
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SB&F
SANFORD, BAUMEISTER
& FRAZIER, LLP
Certified Public Accountants and Consultants

June 10, 2014

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying combined financial statements of Ronald McDonald House of Fort Worth, Inc. and 1004 7th Avenue Holding Corporation which comprise the combined statements of financial position as of December 31, 2013 and 2012, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Ronald McDonald House of Fort Worth, Inc. and 1004 7th Avenue Holding Corporation as of December 31, 2013 and 2012, and the combined changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sanford, Baumeister & Frazier, LLP

SANFORD, BAUMEISTER & FRAZIER, LLP
Fort Worth, Texas

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RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash in banks	$ 1,786,521	$ 3,227,482
Certificates of deposit	105,473	157,304
Accounts receivable	14,519	5,850
Accrued interest receivable	-	2,743
Contributions receivable, net	176,670	357,620
Prepaid expenses	1,907	1,383
Investments - at market	-	1,777,484
Total Current Assets	2,085,090	5,529,866
LAND, BUILDINGS AND EQUIPMENT		
Land	1,898,233	1,598,872
Buildings	12,295,646	5,720,590
Furniture, fixtures and equipment	1,049,006	615,949
Vehicles	33,582	33,582
Construction in progress - Phase III	-	2,698,210
Total Land, Buildings and Equipment	15,276,467	10,667,203
Less: Accumulated depreciation	(4,608,277)	(4,148,862)
Net Land, Buildings and Equipment	10,668,190	6,518,341
OTHER ASSETS		
Contributions receivable, net	158,635	435,289
Note receivable	7,665,100	-
Loan origination fees, net	611,182	-
Investments - board designated endowment funds - at market	3,244,477	1,128,129
Investments - permanently restricted - at market	589,916	589,641
Total Other Assets	12,269,310	2,153,059
TOTAL ASSETS	$ 25,022,590	$ 14,201,266

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable	$ 53,047	$ 9,737
Accrued payroll	26,113	23,570
Line of credit note	422,113	-
Construction contract payable	-	275,857
Total Current Liabilities	501,273	309,164
LONG-TERM DEBT		
Notes payable	10,590,000	-
TOTAL LIABILITIES	11,091,273	309,164
NET ASSETS		
Unrestricted		
Unexpended	1,447,020	1,708,708
Board designated - Repair & replacement	132,806	184,583
Board designated - Phase III construction	430,319	266,202
Board designated - Endowment	3,244,477	1,128,129
Expended - Land, Buildings and Equipment	7,743,290	6,518,341
Total Unrestricted Net Assets	12,997,912	9,805,963
Temporarily restricted		
Capital campaign, Phase III construction	-	3,204,164
Ronald Room at Cook Children's Hospital	31,189	30,738
Bed mattresses and linens	146,751	89,731
Texas Rangers/Rusty Greer	15,700	15,700
House equipment/remodel/other	1,139	3,347
Kroc - House operations	95,267	95,267
Meals from the Heart	53,443	57,551
Total Temporarily Restricted Net Assets	343,489	3,496,498
Permanently restricted	589,916	589,641
Total Net Assets	13,931,317	13,892,102
TOTAL LIABILITIES AND NET ASSETS	$ 25,022,590	$ 14,201,266

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

RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2013 TOTAL
SUPPORT AND REVENUE				
Support:				
Contributions				
Unrestricted - general support	$ 423,881	$ -	$ -	$ 423,881
Ronald McDonald House Charities	150,000	-	-	150,000
Gifts in kind	128,833	-	-	128,833
Capital campaign	-	148,466	-	148,466
Other - Restricted	-	122,822	-	122,822
Endowment	-	-	275	275
Fundraising activities and special events - gross revenues of $575,242 (2013) and $387,487 (2012) and direct costs of $147,544 (2013) and $131,030 (2012)	427,698	-	-	427,698
Total Support	1,130,412	271,288	275	1,401,975
Revenue:				
Program service fees	142,491	-	-	142,491
Interest and dividend income - net	54,701	-	-	54,701
Net appreciation of investments	283,975	-	-	283,975
Interest on note receivable	14,936	-	-	14,936
Total Revenue	496,103	-	-	496,103
Net Assets Released From Restrictions	3,424,297	(3,424,297)	-	-
Total Support and Revenue	5,050,812	(3,153,009)	275	1,898,078
EXPENSES				
Program services	1,254,818	-	-	1,254,818
Fundraising	401,120	-	-	401,120
General and administrative	202,925	-	-	202,925
Total Functional Expenses	1,858,863	-	-	1,858,863
CHANGE IN NET ASSETS	3,191,949	(3,153,009)	275	39,215
NET ASSETS - Beginning of Year	9,805,963	3,496,498	589,641	13,892,102
NET ASSETS - End of Year	$ 12,997,912	$ 343,489	$ 589,916	$ 13,931,317

UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2012 TOTAL
$ 382,525	$ -	$ -	$ 382,525
150,000	-	-	150,000
189,796	-	-	189,796
-	2,891,221	-	2,891,221
-	89,439	-	89,439
-	-	25	25
256,457	-	-	256,457
978,778	2,980,660	25	3,959,463
172,995	-	-	172,995
56,958	-	-	56,958
231,357	-	-	231,357
-	-	-	-
461,310	-	-	461,310
3,762,351	(3,762,351)	-	-
5,202,439	(781,691)	25	4,420,773
988,806	-	-	988,806
396,439	-	-	396,439
167,447	-	-	167,447
1,552,692	-	-	1,552,692
3,649,747	(781,691)	25	2,868,081
6,156,216	4,278,189	589,616	11,024,021
$ 9,805,963	$ 3,496,498	$ 589,641	$ 13,892,102

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

RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	PROGRAM SERVICES	FUND RAISING	GENERAL AND ADMINISTRATIVE	2013 TOTAL
Salaries and wages	$ 358,762	$ 154,057	$ 84,729	$ 597,548
Capital campaign employee costs	-	51,248	-	51,248
Payroll taxes and employee benefits	92,248	30,167	15,653	138,068
Total Personnel Expense	451,010	235,472	100,382	786,864
Professional fees	3,647	2,204	23,305	29,156
Supplies and meals	74,212	842	13,140	88,194
Telephone	5,649	-	2,748	8,397
Postage and printing	2,628	707	439	3,774
Occupancy	156,460	-	-	156,460
Repairs and maintenance	62,091	-	-	62,091
Transportation	3,873	187	407	4,467
Conferences, training and recruitment	5,475	677	17,944	24,096
Dues and subscriptions	4,550	2,358	3,776	10,684
Insurance	32,787	2,471	2,029	37,287
Capital campaign - various	-	92,719	-	92,719
Capital campaign - consultant	-	36,000	-	36,000
Interest	27,233	-	-	27,233
Miscellaneous	11,729	4,512	15,784	32,025
Total Expenses Before Depreciation	841,344	378,149	179,954	1,399,447
Depreciation of buildings and equipment	413,474	22,971	22,971	459,416
Total Expenses	$ 1,254,818	$ 401,120	$ 202,925	$ 1,858,863

PROGRAM SERVICES	FUND RAISING	GENERAL AND ADMINISTRATIVE	2012 TOTAL
$ 320,084	$ 127,177	$ 57,711	$ 504,972
-	80,573	-	80,573
73,010	23,512	11,320	107,842
393,094	231,262	69,031	693,387
5,058	3,878	42,852	51,788
48,762	694	8,738	58,194
4,502	-	2,366	6,868
4,181	1,135	561	5,877
137,804	-	-	137,804
56,812	-	-	56,812
2,850	577	650	4,077
5,162	1,156	12,707	19,025
1,477	1,061	3,030	5,568
33,029	2,410	1,956	37,395
-	42,361	-	42,361
-	96,000	-	96,000
-	-	-	-
9,778	-	9,651	19,429
702,509	380,534	151,542	1,234,585
286,297	15,905	15,905	318,107
$ 988,806	$ 396,439	$ 167,447	$ 1,552,692

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

RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 39,215	$ 2,868,081
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	459,416	318,107
Contributed household furnishings capitalized	(90,000)	(167,047)
Contributed investments	-	(5,118)
Net (appreciation) depreciation of investments	(283,975)	(231,357)
Permanently restricted endowment fund contribution revenue	(275)	(25)
Temporarily restricted capital campaign contribution revenue	(148,466)	(2,891,221)
(Increase) decrease in operating assets:		
Accounts receivable	(8,669)	5,700
Accrued interest receivable	2,743	773
Prepaid expenses	(524)	(1,383)
Increase (decrease) in operating liabilities:		
Accounts payable	43,310	1,841
Accrued payroll	2,543	2,795
Net Cash Provided by (Used in) Operating Activities	15,318	(98,854)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings and equipment	(4,875,122)	(2,352,024)
Insurance proceeds for damage to building	80,000	-
Purchases of certificates of deposit	(26,377)	(104,828)
Proceeds from maturities of certificates of deposit	78,208	103,618
Purchases of marketable securities	(1,748,573)	(1,234,836)
Proceeds from sale of marketable securities	1,693,409	1,194,425
Net Cash Used in Investing Activities	(4,798,455)	(2,393,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	422,113	-
Proceeds from notes payable	10,590,000	-
Issuance of note receivable	(7,665,100)	-
Loan origination fees	(611,182)	-
Temporarily restricted capital campaign contributions received	606,070	3,979,230
Permanently restricted endowment fund contributions received	275	25
Net Cash Provided by Financing Activities	3,342,176	3,979,255
NET INCREASE (DECREASE) IN CASH	(1,440,961)	1,486,756
CASH - Beginning of Year	3,227,482	1,740,726
CASH - End of Year	$ 1,786,521	$ 3,227,482
NONCASH INVESTING AND FINANCING ACTIVITIES		
Contribution of land, temporarily restricted contribution	$ -	$ 880,720
Interest paid	$ 27,233	$ -

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

NOTE 1 - ORGANIZATION AND OPERATIONS

Ronald McDonald House of Fort Worth, Inc. ("the Organization") is a Texas nonprofit corporation that provides low cost lodging for families from out of town whose children are undergoing treatment for serious illnesses in Fort Worth hospitals. The Organization operates as an authorized Medicaid provider. Approved guests are charged nominal lodging costs. These costs are partially reimbursed to the Organization by Medicaid. The Organization receives the majority of its support from contributions.

1004 7th 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's combined financial statements. The combined financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles (U.S. GAAP) and have been consistently applied in the preparation of the combined financial statements.

COMBINED FINANCIAL STATEMENTS

The accompanying combined financial statements include the accounts of Ronald McDonald House of Fort Worth, Inc. and 1004 7th Avenue Holding Corporation (collectively, "the Organization"), since they are financially interrelated organizations. Significant intercompany transactions and balances have been eliminated in the combination.

FINANCIAL STATEMENT PRESENTATION

The Organization is required by U.S. GAAP to report information regarding its combined financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Organization is required to present a combined statement of functional expenses and a combined statement of cash flows. The fund groups are reported in the three classes of net assets as follows:

Unrestricted Net Assets – These funds have no external restrictions and can be used for any purpose designated by the Board.

Temporarily Restricted Net Assets – These funds generally represent funds for which the donor has limited the use of the funds by stipulating how or when the funds are to be used. The restrictions are satisfied either by passage of time or by actions of the Organization.

Permanently Restricted Net Assets – These are funds that have been restricted by the donor and cannot be satisfied by the passage of time or by actions of the Organization.

USE OF ESTIMATES

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

CASH AND CASH EQUIVALENTS

For purposes of the combined statements of cash flows, the Organization considers any short-term investment convertible to cash within three months or less with little or no change in the principal amount to be a cash equivalent. 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 did not have any cash equivalents as of December 31, 2013 or 2012.

CONCENTRATION OF CREDIT RISK

During the years ended December 31, 2013 and 2012, the Organization's deposits occasionally exceeded Federal Deposit Insurance. The Federal Deposit Insurance Corporation currently insures the deposits up to $250,000 per financial institution. The excess above $250,000 is backed only by the soundness of the financial institution. Management believes the risk of incurring material losses related to this credit risk is remote.

INVESTMENTS

The Organization is required by U.S. GAAP to report its investments at fair value. Unrealized gains and losses on appreciation or depreciation in fair value due to market fluctuations are recorded in the combined statements of activities.

FASB ASC No. 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The three levels of fair value hierarchy defined by SFAS ASC No. 820-10 are as follows:

Level 1 Fair Value Measurements – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 Fair Value Measurements – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the Organization's needs.

All investments of the Organization are in publicly traded investments, open-end mutual funds, or federal agency securities and therefore level one input are readily available to determine the fair value of the underlying investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ACCOUNTS RECEIVABLE

The Organization's accounts receivable consists principally of lodging fees from the state government. The Organization utilizes the allowance method for recognition of bad debts. As of December 31, 2013 and 2012, no allowance for doubtful accounts was deemed necessary based upon past experience.

Financial instruments that potentially subject the Organization to credit risk consist principally of accounts receivable. The Organization provides services primarily to families who reside outside of Tarrant County.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's non-investment financial instruments consist of cash and cash equivalents, receivables, accounts payable, accrued expenses, a line of credit note and term debt. The recorded values of these financial instruments approximate their fair values based on their relative short-term nature (line of credit note) and applicable term debt interest rates are comparable to current rates.

DONATED ASSETS AND SERVICES

Donated assets and services are recorded at market value on the date of receipt. In the absence of donor restrictions, donated assets are reported as unrestricted support. Necessary services donated by persons with specialized skills are reported as unrestricted contributions at the fair value of those services. Services donated by persons without specialized skills are not recorded due to the difficulty of objectively determining their value.

IMPAIRMENT OF LONG-LIVED ASSETS

Management evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

PROPERTY AND EQUIPMENT

Expenditures for land, buildings and equipment are capitalized and recorded in the Organization's combined financial statements at cost. The Organization generally capitalizes all expenditures for property and equipment in excess of $1,000 having a useful life of one year or more. Donations of significant property and equipment are recorded as support at their estimated fair value.

Depreciation using the straight-line method is provided over the following estimated useful lives:

Buildings	20 years
Furniture and fixtures	3 - 7 years
Computer software and equipment	3 - 5 years
Vehicles	5 years

Depreciation expense for the years ended December 31, 2013 and 2012 was $459,416 and $318,107, respectively.

LOAN ORIGINATION FEES

Loan origination fees are being amortized over the term of the loan using the straight-line method and are carried at cost, less accumulated amortization. Amortization expense for 2013 amounted to $-0-.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

LODGING AND PROGRAM FEES

Lodging and program fees are recorded in the period in which the lodging and program services were provided.

RESTRICTED CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS

The Organization reports contributions with donor-imposed restrictions as restricted support. These contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services, fundraising and general and administrative expenses have been summarized on a functional basis in the combined statements of functional expenses. Accordingly, certain costs have been allocated among these program and supporting services.

FEDERAL INCOME TAX

The Organization is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. This section exempts the Organization from taxes on income. Accordingly, no provision for income taxes has been made in the combined financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the years ended December 31, 2013 and 2012. The Organization has recognized no liability for uncertain tax positions.

The Organization files as a tax-exempt organization. The Organization's tax returns are subject to review and examination by federal and state authorities. Tax returns are open for audit by these authorities for three years from the due date of the return of the date actually filed. The tax return years open for audit include tax years ended subsequent to December 31, 2009.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2012 combined financial statements to conform to the 2013 combined financial statement presentation. Such reclassifications had no effect on the change in total net assets as previously reported.

RECENTLY ISSUED ACCOUNTING PRONOUCEMENTS

The Organization has determined that there have been no recently issued or adopted accounting standards that will have or had a material impact on its combined financial statements.

NOTE 3 - INVESTMENTS

Investments are stated at fair value, using quoted market prices. If quoted market prices are not available, estimated fair values are determined based on quoted market prices of similar financial instruments. Realized and unrealized gains and losses are reflected in the statements of activities.

Investments as of December 31, 2013 consisted of the following:

Investment Description	Cost	Fair Value	Cumulative Unrealized Gain (Loss)
Money market mutual funds	$ 696,861	$ 696,861	$ -
Fixed income mutual funds	745,528	764,806	19,278
Alternative investments	105,121	109,160	4,039
Hedge mutual funds	550,279	535,046	(15,233)
Equity mutual funds - Domestic	702,435	969,312	266,877
Equity mutual funds – International	667,145	759,208	92,063
Total Investments – Level 1 Inputs	$ 3,467,369	$ 3,834,393	$ 367,024

The combined statements of financial position reflect the unrestricted designated endowment portion of these investments in the amount of $3,244,477 and the permanently restricted endowment portion in the amount of $589,916. See Note 11, concerning certain investments used as collateral for the line of credit note.

Investments as of December 31, 2012 consisted of the following:

Investment Description	Cost	Fair Value	Cumulative Unrealized Gain (Loss)
Money market mutual funds	$ 275,742	$ 275,742	$ -
Fixed income mutual funds	965,608	1,008,676	43,068
Alternative investments	160,300	170,770	10,470
Real estate mutual funds	37,874	52,838	14,964
Hedge mutual funds	655,903	646,242	(9,661)
Equity mutual funds - Domestic	741,530	819,709	78,179
Equity mutual funds – International	481,799	521,277	39,478
Total Investments – Level 1 Inputs	$ 3,318,756	$ 3,495,254	$ 176,498

The statements of financial position reflect the unrestricted portion of these investments in the amount of $1,777,484 as current assets and the restricted/designated endowment portion in the amount of $1,717,770 as non-current assets. The Organization received donated stock valued at $5,118 during the year ended December 31, 2012.

The total investment return from investments and certificates of deposit for the years ended December 31, 2013 and 2012 is as follows:

Description	2013	2012
Interest and dividend income	$ 76,167	$ 78,704
Fiduciary fees paid	(21,466)	(21,746)
Total Interest and Dividend Income – net	54,701	56,958
Gain on sale of investments	93,485	93,951
Unrealized appreciation on investments	190,490	137,406
Total Return on Investments and Certificates of Deposit	$ 338,676	$ 288,315

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, 2013 and 2012 are expected to be received as follows:

	2013	2012
Year Ending December 31, 2013	$ -	$ 360,020
Year Ending December 31, 2014	176,670	268,956
Year Ending December 31, 2015	87,800	92,138
Year Ending December 31, 2016	25,540	28,277
Year Ending December 31, 2017	11,000	10,000
Year Ending December 31, 2018	10,000	10,000
Thereafter	24,295	29,518
Contributions Receivable - Gross	335,305	798,909
Less: Allowance for uncollectible accounts	-	(6,000)
Total Contributions Receivable, net	$ 335,305	$ 792,909

The contribution receivable at December 31, 2013 and 2012 is reflected on the statements of financial position as follows:

Description	2013	2012
Within current assets	$ 176,670	$ 357,620
Within other assets	158,635	435,289
Total Contributions Receivable, net	$ 335,305	$ 792,909

Bad debt expense for the years ended December 31, 2013 and 2012 was $2,192 and $6,000, respectively. The bad debt expense is reflected within campaign revenue on the statements of activities.

NOTE 5 – NOTE RECEIVABLE

At December 31, 2013, 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 12 to the combined financial statements. However, there is not a right of offset with these debt instruments.

NOTE 6 - 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 of $38,833 and $22,749, respectively, for the years ended December 31, 2013 and 2012, are reflected in the statements of activities. Additionally, during the years ended December 31, 2013 and 2012, the Organization received donated household furnishings of $90,000 and $167,047, respectively, and donated land of $-0- and $880,720 for the capital campaign, respectively.

NOTE 7 – 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 $12,000 and $11,500 per year to the Plan for the years ended December 31, 2013 and 2012, respectively. The Company's contribution obligation is 2.5 percent of the employee's gross pay for the employees who participated in the Plan. During the years ended December 31, 2013 and 2012 the Organization made contributions in the amounts of $7,865 and $5,836, respectively. Contribution expense is included in payroll taxes and employee benefits expense on the statements of functional expenses.

NOTE 8 – FUNDRAISING ACTIVITIES AND SPECIAL EVENTS

The Organization held several fundraising activities and special events during the year ended December 31, 2013. A summary of these activities is as follows:

Description of Event	Support	Direct Costs	Gross Profit
Annual Golf Tournament	$ 131,066	$ 39,043	$ 92,023
Wild Game	205,213	75,931	129,282
Lights of Love	45,879	3,725	42,154
Share a Night	138,311	-	138,311
Others	54,773	28,845	25,928
Fundraising Activities and Special Events – net	$ 575,242	$ 147,544	$ 427,698

The Organization held several fundraising activities and special events during the year ended December 31, 2012. A summary of these activities is as follows:

Description of Event	Support	Direct Costs	Gross Profit
Annual Golf Tournament	$ 147,342	$ 46,839	$ 100,503
Wild Game	120,734	50,503	70,231
Lights of Love	52,874	7,064	45,810
Share a Night	36,315	-	36,315
Others	30,222	26,624	3,598
Fundraising Activities and Special Events – net	$ 387,487	$ 131,030	$ 256,457

NOTE 9 – CAPITAL CAMPAIGN AND RELATED COMMITMENTS

The Organization completed a capital campaign during the year ended December 31, 2013 relating the building expansion (approximately 21,000 square feet) to the south of the existing structure. As of December 31, 2013 the capitalized cost (including donated assets) of the building expansion was as follows:

Land	$ 1,558,233
Building	6,655,057
Furniture, fixtures and equipment	415,020
Total Capitalized Cost of Building Expansion	$ 8,628,310

As of December 31, 2013, the Organization is committed to a general contractor for the amount of $900,826 for the dining and family room addition to be completed in early 2014.

NOTE 10 - ENDOWMENT FUNDS - PERMANENTLY RESTRICTED AND BOARD DESIGNATED NET ASSETS

PERMANENTLY RESTRICTED ENDOWMENTS

Permanently restricted 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, 2013 and 2012 was $589,916 and $589,641, 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 permanently 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. 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

As of December 31, 2013 and 2012, the Board of Directors has designated $3,244,477 and $1,128,129, respectively, of unrestricted 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 unrestricted 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 30th) 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.

NOTE 10 - ENDOWMENT FUNDS - PERMANENTLY RESTRICTED AND BOARD DESIGNATED NET ASSETS - 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 permanently restricted and board designated endowment funds:

Description	Permanently Restricted	Board Designated	Total
Balance – December 31, 2011	$ 589,616	$ 1,000,101	$ 1,589,717
Contributions	25	(25)	-
Interest and dividend income, net of fees	7,368	12,529	19,897
Realized gain on investments	13,717	23,327	37,044
Unrealized depreciation on investments	26,333	44,779	71,112
Allocation of earnings to board designated	(47,418)	47,418	-
Balance – December 31, 2012	589,641	1,128,129	1,717,770
Contributions	275	(275)	-
Unrestricted investments board designated	-	1,777,947	1,777,947
Interest and dividend income, net of fees	8,416	46,285	54,701
Realized gain on investments	14,383	79,102	93,485
Unrealized appreciation on investments	29,307	161,183	190,490
Allocation of earnings to board designated	(52,106)	52,106	-
Balance – December 31, 2013	$ 589,916	$ 3,244,477	$ 3,834,393

NOTE 11 – 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 LIBOR rate plus 1.80%. 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 $3,338,015 at December 31, 2013. The outstanding balance on the line of credit as of December 31, 2013 was $422,113. The line of credit matures on July 31, 2014. The LIBOR rate was 0.16935% at December 31, 2013.

Interest expense for the year ended December 31, 2013 on this line of credit note was $12,234.

NOTE 12 – NOTES PAYABLE

The Organization, specifically 1004 7th Avenue Holding Corporation, was obligated on the following notes payable as of December 31, 2013:

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, at a discount of $2,001,300 and $923,600, respectively, to the principal balance above.

Interest expense for the year ended December 31, 2013 on the above notes payable was $14,999.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2014, the date on which the financial statements were available to be issued.

AUDITED COMBINING FINANCIAL STATEMENTS

SB&F
SANFORD, BAUMEISTER
& FRAZIER, LLP
Certified Public Accountants and Consultants

June 10, 2014

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

Independent Auditors' Report on Combining Information

We have audited the combined 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, 2013, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position and statement of activities are presented for the purpose of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Sanford, Baumeister & Frazier, LLP

SANFORD, BAUMEISTER & FRAZIER, LLP
Fort Worth, Texas

Keeping you in the black, not in the dark

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RONALD McDONALD HOUSE OF FORT WORTH, INC. AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	Ronald McDonald House of Fort Worth, Inc.	1004 7th Avenue Holding Corporation	Eliminations	Total
CURRENT ASSETS				
Cash in banks	$ 518,408	$ 1,268,113	$ -	$ 1,786,521
Certificates of deposit	105,473	-	-	105,473
Accounts receivable	14,519	-	-	14,519
Contributions receivable, net	176,670	-	-	176,670
Prepaid expenses	1,907	-	-	1,907
Total Current Assets	816,977	1,268,113	-	2,085,090
LAND, BUILDINGS AND EQUIPMENT				
Land	-	1,898,233	-	1,898,233
Buildings	-	12,295,646	-	12,295,646
Furniture, fixtures and equipment	1,049,006	-	-	1,049,006
Vehicles	33,582	-	-	33,582
Total Land, Buildings and Equipment	1,082,588	14,193,879	-	15,276,467
Less: Accumulated depreciation	(512,182)	(4,096,095)	-	(4,608,277)
Net Land, Buildings and Equipment	570,406	10,097,784	-	10,668,190
OTHER ASSETS				
Contributions receivable, net	158,635	-	-	158,635
Note receivable	7,665,100	-	-	7,665,100
Loan origination fees, net	-	611,182	-	611,182
Investments - board designated	3,244,477	-	-	3,244,477
Investments - permanently restricted	589,916	-	-	589,916
Total Other Assets	11,658,128	611,182	-	12,269,310
TOTAL ASSETS	$ 13,045,511	$ 11,977,079	$ -	$ 25,022,590
CURRENT LIABILITIES				
Accounts payable	$ 53,047	$ -	$ -	$ 53,047
Accrued payroll	26,113	-	-	26,113
Line of credit note	422,113	-	-	422,113
Total Current Liabilities	501,273	-	-	501,273
LONG-TERM DEBT				
Notes payable	-	10,590,000	-	10,590,000
TOTAL LIABILITIES	501,273	10,590,000	-	11,091,273
NET ASSETS				
Unrestricted	11,610,833	1,387,079	-	12,997,912
Temporarily restricted	343,489	-	-	343,489
Permanently restricted	589,916	-	-	589,916
Total Net Assets	12,544,238	1,387,079	-	13,931,317
TOTAL LIABILITIES AND NET ASSETS	$ 13,045,511	$ 11,977,079	$ -	$ 25,022,590

RONALD McDONALD HOUSE OF FORT WORTH, INC. AND AFFILIATE
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Ronald McDonald House of Fort Worth, Inc.	1004 7th Avenue Holding Corporation	Eliminations	Total
SUPPORT AND REVENUE				
Support:				
Contributions				
Unrestricted - general support	$ 423,881	$ -	$ -	$ 423,881
Ronald McDonald House Charities	150,000	-	-	150,000
Gifts in kind	128,833	-	-	128,833
Capital campaign	148,466	-	-	148,466
Other - Restricted	122,822	-	-	122,822
Endowment	275	-	-	275
Fundraising activities and special events - net	427,698	-	-	427,698
Total Support	1,401,975	-	-	1,401,975
Revenue:				
Program service fees	142,491	-	-	142,491
Interest and dividend income - net	54,521	180	-	54,701
Net appreciation of investments	283,975	-	-	283,975
Rental income	-	18,489	(18,489)	-
Interest on note receivable	14,936	-	-	14,936
Total Revenue	495,923	18,669	(18,489)	496,103
Total Support and Revenue	1,897,898	18,669	(18,489)	1,898,078
EXPENSES				
Program services	1,258,308	14,999	(18,489)	1,254,818
Fundraising	401,120	-	-	401,120
General and administrative	201,224	1,701	-	202,925
Total Functional Expenses	1,860,652	16,700	(18,489)	1,858,863
CHANGE IN NET ASSETS	37,246	1,969	-	39,215
DISTRIBUTION TO HOLDING CORPORATION	(1,385,110)	1,385,110	-	-
NET ASSETS - Beginning of Year	13,892,102	-	-	13,892,102
NET ASSETS - End of Year	$ 12,544,238	$ 1,387,079	$ -	$ 13,931,317