

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

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2018 AND 2017**

**RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND
1004 7TH AVENUE HOLDING CORPORATION
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DECEMBER 31, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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 29, 2019

**RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS		
	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 718,862	\$ 740,092
Certificates of Deposit	311,967	107,804
Accounts Receivable, Net	5,611	16,409
Contributions Receivable, Net	51,791	133,425
Prepaid Expenses	25,442	24,588
	<u>1,113,673</u>	<u>1,022,318</u>
NONCURRENT ASSETS		
Contributions Receivable, Net	19,375	49,270
Note Receivable	7,665,100	7,665,100
Investments	4,515,005	4,765,233
Property and Equipment, Net	9,055,315	9,717,833
	<u>21,254,795</u>	<u>22,197,436</u>
TOTAL ASSETS	<u>\$ 22,368,468</u>	<u>\$ 23,219,754</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 37,571	\$ 75,280
Deferred Revenue	34,600	27,054
	<u>72,171</u>	<u>102,334</u>
NONCURRENT LIABILITIES		
Notes Payable	10,590,000	10,590,000
Less: Unamortized Debt Issuance Costs	(416,877)	(455,738)
	<u>10,173,123</u>	<u>10,134,262</u>
Total Liabilities	<u>10,245,294</u>	<u>10,236,596</u>
NET ASSETS		
Without Donor Restrictions	10,427,846	11,264,381
With Donor Restrictions	1,695,328	1,718,777
	<u>12,123,174</u>	<u>12,983,158</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,368,468</u>	<u>\$ 23,219,754</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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	2018 TOTAL
<u>REVENUES AND OTHER SUPPORT</u>			
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>
Total Revenues and Other Support			
<u>EXPENSES</u>			
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>
Total Expenses			
<u>CHANGE IN NET ASSETS FROM OPERATIONS</u>	(571,718)	(23,449)	(595,167)
<u>INVESTMENT INCOME (LOSS), NET</u>	(264,817)	-	(264,817)
<u>CHANGE IN NET ASSETS</u>	(836,535)	(23,449)	(859,984)
<u>NET ASSETS</u> - Beginning of Year	11,264,381	1,718,777	12,983,158
<u>NET ASSETS</u> - 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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	2017 TOTAL
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ 1,478,881	\$ 447,034	\$ 1,925,915
Special Events Revenue	925,652	-	925,652
Room Donations/Fees	156,327	-	156,327
Interest Income on Notes Receivable	206,804	-	206,804
Net Assets Released From Restrictions	307,436	(307,436)	-
	<u>3,075,100</u>	<u>139,598</u>	<u>3,214,698</u>
Total Revenues and Other Support			
<u>EXPENSES</u>			
Program Services	2,286,707	-	2,286,707
Cost of Direct Benefits to Donors	415,688	-	415,688
Management and General	348,465	-	348,465
Fundraising	340,297	-	340,297
	<u>3,391,157</u>	<u>-</u>	<u>3,391,157</u>
Total Expenses			
<u>CHANGE IN NET ASSETS FROM OPERATIONS</u>			
	(316,057)	139,598	(176,459)
<u>INVESTMENT INCOME, NET</u>			
	544,338	-	544,338
<u>CHANGE IN NET ASSETS</u>			
	228,281	139,598	367,879
<u>NET ASSETS</u> - Beginning of Year			
	11,036,100	1,579,179	12,615,279
<u>NET ASSETS</u> - End of Year			
	<u>\$ 11,264,381</u>	<u>\$ 1,718,777</u>	<u>\$ 12,983,158</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	\$ 2,451,152	\$ 332,900	\$ 380,428	\$ 456,332	\$ 3,620,812

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, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Cost of Direct Benefits to Donors</u>	<u>2017 TOTAL</u>
Salaries and Wages	\$ 616,855	\$ 144,607	\$ 198,178	\$ -	\$ 959,640
Employee Benefits	84,832	8,605	29,503	-	122,940
Payroll Taxes	46,248	10,842	14,858	-	71,948
Total Salaries and Related Expenses	747,935	164,054	242,539	-	1,154,528
Events and Catering	-	-	-	370,947	370,947
Advertising and Marketing	-	112	14,566	41,785	56,463
Automobile/Transportation	3,210	-	-	29	3,239
Cleaning Services and Supplies	51,629	-	2,538	-	54,167
Depreciation	634,097	28,895	28,895	-	691,887
Family Support Services and Supplies	306,934	3,411	1,255	-	311,600
Grants - Family Room	-	-	-	-	-
Insurance	69,900	135	462	-	70,497
Interest	208,072	38,861	-	-	246,933
Linens and Laundry	12,979	-	-	-	12,979
Maintenance and Repairs	95,918	-	5,048	-	100,966
Meetings, Education and Training	2,656	21,596	6,014	-	30,266
Postage and Printing	7,706	1,487	20,389	-	29,582
Professional Fees	-	84,202	6,500	-	90,702
Technology	26,453	-	-	-	26,453
Telephone	11,819	-	-	-	11,819
Utilities	90,099	-	-	-	90,099
Volunteers	-	5,712	4,737	-	10,449
Other	17,300	-	7,354	2,927	27,581
Total Expenses	\$ 2,286,707	\$ 348,465	\$ 340,297	\$ 415,688	\$ 3,391,157

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, 2018 AND 2017**

	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (859,984)	\$ 367,879
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	715,189	691,887
Amortization	38,861	38,861
Bad Debt Expense	1,500	-
Net (Appreciation) Depreciation of Investments	364,225	(464,272)
Contributions Donor Restricted for Long-Term Purposes	(110,584)	(117,397)
(Increase) decrease in operating assets:		
Accounts Receivable	9,298	(13,109)
Contributions Receivable	111,529	(119,332)
Prepaid Expenses	(854)	14,054
Increase (decrease) in operating liabilities:		
Accounts Payable and Accrued Liabilities	(37,709)	34,315
Deferred Revenue	7,546	21,679
	<u>239,017</u>	<u>454,565</u>
Net Cash Provided by Operating Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(52,671)	(540,805)
Purchases of Certificates of Deposit	(311,967)	(25,495)
Proceeds from Maturities of Certificates of Deposit	107,804	25,223
Purchases of Investments	(1,657,139)	(1,530,895)
Proceeds from Sale of Investments	1,543,142	1,451,508
	<u>(370,831)</u>	<u>(620,464)</u>
Net Cash Used in Investing Activities		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Donor Restricted Contributions Received for Long-Term Purposes	81,634	117,297
Donor Restricted Endowment Fund Contributions Received	28,950	100
	<u>110,584</u>	<u>117,397</u>
Net Cash Provided by Financing Activities		
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(21,230)</u>	<u>(48,502)</u>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>740,092</u>	<u>788,594</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 718,862</u>	<u>\$ 740,092</u>
<u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Interest Paid	<u>\$ 207,670</u>	<u>\$ 208,072</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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 asked to make a nominal suggested contribution toward their stay. 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

CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated 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 consolidation.

FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The consolidated financial statements are presented in accordance with FASB ASC 958, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organizations and changes therein are classified as follows:

Net assets 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.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

FINANCIAL STATEMENT PRESENTATION - Continued

Net assets 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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

USE OF ESTIMATES

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated 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, 2018 or 2017.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, no allowance for doubtful accounts was deemed necessary based upon past experience, an assessment of economic conditions and a review of subsequent collections.

PROMISES TO GIVE

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques (if material to the consolidated financial statements) incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2018 and 2017, the allowance was \$-0-.

PROPERTY AND EQUIPMENT

Expenditures for property and equipment are capitalized and recorded in the Organization's consolidated 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, Fixtures and Equipment	3-7 years
Vehicles	5 years

Depreciation expense for the years ended December 31, 2018 and 2017 was \$715,189 and \$691,887, respectively.

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.

INVESTMENTS

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return/(loss) is reported as without donor restrictions investment income in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

DEFERRED REVENUE

Income from sponsorships received in advance of future special events is deferred and recognized over the periods to which the sponsorships relate.

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, 2018 and 2017 was \$38,861 and are reflected in interest expense on the consolidated statements of functional expenses.

REVENUE AND REVENUE RECOGNITION

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. 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.

LODGING AND PROGRAM FEES

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

DONATED ASSETS, SERVICES AND IN-KIND CONTRIBUTIONS

Volunteers contribute significant amounts of time to the Organization's program services, administration, fundraising, and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP; which requires that they (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. Contributed goods are recorded at fair value at the date of donation. The Organization recorded in-kind contributions at the respective fair values of the services received (Note 8).

Donated marketable securities and property and equipment 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.

SPECIAL EVENTS

Receipts and direct expenditures relating to special events are reported as revenues and expenses in the year in which the events occur. Cash receipts and billings made in the current year relating to the next year's events are reported as deferred revenue. Likewise, expenses directly related to those events which are paid in the current year are deferred and included in prepaid expenses on the consolidated statements of financial position.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

FUNCTIONAL ALLOCATION OF 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.

FEDERAL INCOME TAX

The Ronald McDonald House of Fort Worth, Inc. and 1004 7th 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.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 consolidated financial statements to conform to the 2018 consolidated financial statement presentation. Such reclassifications had no effect on the change in total net assets as previously reported.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2019, the date on which the consolidated financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization has \$1,113,673 of financial assets 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 of financial position. 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.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 – 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, 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>

See Note 9, concerning certain investments used as collateral for the line of credit note, and Note 12 reflecting the above investments as \$3,384,055 as board designated endowment funds and \$1,130,950 as donor restricted endowment funds.

Investments as of December 31, 2017 consisted of the following:

Investment Description	Fair Value	Cost	Cumulative Unrealized Gain (Loss)
Money Market Mutual Funds	\$ 225,084	\$ 225,084	\$ -
Fixed Income Mutual Funds	1,853,377	1,854,900	(1,523)
Hedge Mutual Funds	49,590	49,604	(14)
Equity Mutual Funds- Domestic	1,331,346	1,022,855	308,491
Equity Mutual Funds- International	1,305,836	1,126,184	179,652
Total Investments - Level 1 Inputs	<u>\$ 4,765,233</u>	<u>\$ 4,278,627</u>	<u>\$ 486,606</u>

See Note 12 reflecting the above investments as \$3,663,232 as board designated endowment funds and \$1,102,001 as donor restricted endowment funds.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS - Continued

The total investment return from investments and certificates of deposit for the years ended December 31, 2018 and 2017 is as follows:

Description	2018	2017
Interest and Dividend Income on Investments	\$ 129,971	\$ 109,209
Interest Income on Certificates of Deposit and Other	5,340	779
Fiduciary Fees Paid	(35,903)	(29,922)
Total Interest and Dividend Income - Net	99,408	80,066
Realized Gain on Sale of Investments	34,731	110,365
Unrealized Appreciation (Depreciation) on Investments	(398,956)	353,907
Investment Income (Loss), Net	<u>\$ (264,817)</u>	<u>\$ 544,338</u>

NOTE 5 - 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, 2018 and 2017 are expected to be received as follows:

	2018	2017
Year Ending December 31, 2018	\$ -	\$ 133,425
Year Ending December 31, 2019	51,791	30,000
Year Ending December 31, 2020	10,000	10,000
Year Ending December 31, 2021	9,375	9,270
Contributions Receivables- Gross	71,166	182,695
Less: Allowance for Uncollectible Accounts	-	-
Contributions Receivables- Net	<u>\$ 71,166</u>	<u>\$ 182,695</u>

The contribution receivable at December 31, 2018 and 2017 is reflected on the statements of financial position as follows:

Description	2018	2017
Within Current Assets	\$ 51,791	\$ 133,425
Within Noncurrent Assets	19,375	49,270
Contributions Receivables- Net	<u>\$ 71,166</u>	<u>\$ 182,695</u>

Bad debt expense for the years ended December 31, 2018 and 2017 was \$1,500 and \$-0-, respectively.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 – NOTE RECEIVABLE

At December 31, 2018 and 2017, 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.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of December 31, 2018 and 2017:

	2018	2017
Land	\$ 1,898,233	\$ 1,898,233
Buildings	14,206,631	14,172,927
Furniture, Fixtures and Equipment	1,151,138	1,146,029
Vehicles	33,582	33,582
Total Property and Equipment	17,289,584	17,250,771
Less: Accumulated Depreciation	(8,234,269)	(7,532,938)
Property and Equipment, Net	\$ 9,055,315	\$ 9,717,833

Depreciation expense was \$715,189 and \$691,887 for the years ended December 31, 2018 and 2017, 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 \$289,645 and \$248,774, respectively, for the years ended December 31, 2018 and 2017, are reflected in the consolidated statements of activities.

Additionally, the Organization received donated goods and services for their special events. This amounted to \$209,638 and \$166,559 for the years ended December 31, 2018 and 2017, respectively. See Note 14 for additional details.

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 \$4,000,754 at December 31, 2018. The outstanding balance on the line of credit as of December 31, 2018 and 2017 was \$-0-. The line of credit matures on November 30, 2019. The one month LIBOR rate was 2.51% at December 31, 2018.

Interest expense for the years ended December 31, 2018 and 2017 on this line of credit note was \$-0- and \$402, respectively.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 10 – NOTES PAYABLE

The Organization, specifically 1004 7th Avenue Holding Corporation, was obligated on the following notes payable as of December 31, 2018 and 2017:

<u>Payable To and Terms:</u>	<u>Amount</u>
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.	<u>923,600</u>
Total Notes Payable	<u>\$ 10,590,000</u>

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.

Interest expense for each of the years ended December 31, 2018 and 2017 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 \$12,500 per year (exclusive of additional \$3,000 for those aged 50 or over) to the Plan for the years ended December 31, 2018 and 2017. 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, 2018 and 2017 the Organization made contributions in the amounts of \$23,774 and \$16,147, 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
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NOTE 12 – NET ASSETS WITHOUT AND WITH DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unexpended	\$ 113,366	\$ 61,979
Board Designated - Repair & Replacement	311,967	107,804
Board Designated - Construction	71,166	182,695
Board Designated - Endowment	3,384,055	3,663,232
Expended - Property and Equipment, Net of Debt	<u>6,547,292</u>	<u>7,248,671</u>
Total Net Assets Without Donor Restrictions	<u>\$ 10,427,846</u>	<u>\$ 11,264,381</u>

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purpose:		
Program Activities		
Family Room at Cook Children's Hospital	\$ 36,880	\$ 36,867
Bed Mattresses and Linens	351,506	322,403
Texas Rangers/Rusty Greer	-	15,700
House Equipment/Remodel/Other	1,139	1,139
Kroc - House Operations	95,267	95,267
Meals from the Heart	<u>59,586</u>	<u>55,400</u>
Subtotal	544,378	526,776
Endowments:		
Restricted by Donors for General Use	1,130,950	1,102,001
Subject to passage of time:		
For Periods after December 31st	<u>20,000</u>	<u>90,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,695,328</u>	<u>\$ 1,718,777</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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Family Room at Cook Children's Hospital	\$ 15,797	\$ 871
Bed Mattresses and Linens	27,898	9,400
House Equipment/Remodel/Other	10,846	282,272
Meals from the Heart	<u>13,724</u>	<u>14,893</u>
	68,265	307,436
Time restrictions expired:		
Passage of Specified Time	<u>70,000</u>	-
Total Restrictions Released	<u>\$ 138,265</u>	<u>\$ 307,436</u>

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017 was \$1,130,950 and \$1,102,001, 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, 2018 and 2017, the Board of Directors has designated \$3,384,055 and \$3,663,232 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 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.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2016	\$ 3,119,673	\$ 1,101,901	\$ 4,221,574
Investment return, net	543,559	-	543,559
Contributions	-	100	100
Appropriation of endowment assets for expenditure	-	-	-
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	<u>\$ 3,384,055</u>	<u>\$ 1,130,950</u>	<u>\$ 4,515,005</u>
Board-Designated Endowment Funds	\$ 3,384,055	\$ -	\$ 3,384,055
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	1,130,950	1,130,950
Portion subject to appropriation under UPMIFA	-	-	-
Total Funds	<u>\$ 3,384,055</u>	<u>\$ 1,130,950</u>	<u>\$ 4,515,005</u>

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 14 – SPECIAL EVENTS

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>\$ 572,320</u>

The Organization held the following special events during the year ended December 31, 2017. A summary of these activities is as follows:

Description of Event	Support	Direct Costs	Gross Profit
Wild Game	\$ 440,568	\$ 116,399	\$ 324,169
Wild Game - Donated goods and services	82,076	82,076	-
Roadhouse	280,540	123,568	156,972
Roadhouse - Donated goods and services	80,693	80,693	-
House Talk	37,985	9,162	28,823
House Talk - Donated goods and services	3,790	3,790	-
Special Events - Net	<u>\$ 925,652</u>	<u>\$ 415,688</u>	<u>\$ 509,964</u>

NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services 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 guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one or two methods. The standard will be effective for the Organization for the year ending December 31, 2019. Management is evaluating the impact of the amended revenue recognition guidance on the Organization's financial statements.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS - Continued

Clarifying Scope and the Accounting Guidance for Contributions

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition, should be followed. For exchange transactions, Topic 606, Revenue from Contracts with Customers, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for the Organization for the year ending December 31, 2019. As a resource provider, the guidance will be effective for the Organization for the year ending December 31, 2020.

Leases

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, 2020. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.



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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, 2018, 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 29, 2019

RONALD McDONALD HOUSE OF FORT WORTH, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
SEE INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

	Ronald McDonald House of Fort Worth, Inc.	1004 7th Avenue Holding Corporation	Eliminations	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 514,007	\$ 204,855	\$ -	\$ 718,862
Certificates of Deposit	311,967	-	-	311,967
Accounts Receivable, Net	22,300	-	(16,689)	5,611
Contributions Receivable, Net	51,791	-	-	51,791
Prepaid Expenses	25,442	-	-	25,442
	<u>925,507</u>	<u>204,855</u>	<u>(16,689)</u>	<u>1,113,673</u>
NONCURRENT ASSETS				
Contributions Receivable, Net	19,375	-	-	19,375
Note Receivable	7,665,100	-	-	7,665,100
Investments	4,515,005	-	-	4,515,005
Property and Equipment, Net	1,182,916	7,872,399	-	9,055,315
	<u>13,382,396</u>	<u>7,872,399</u>	<u>-</u>	<u>21,254,795</u>
TOTAL ASSETS	<u>\$ 14,307,903</u>	<u>\$ 8,077,254</u>	<u>\$ (16,689)</u>	<u>\$ 22,368,468</u>
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 36,021	\$ 18,239	\$ (16,689)	\$ 37,571
Deferred Revenue	34,600	-	-	34,600
	<u>70,621</u>	<u>18,239</u>	<u>(16,689)</u>	<u>72,171</u>
NONCURRENT LIABILITIES				
Notes Payable	-	10,590,000	-	10,590,000
Less: Unamortized Debt Issuance Costs	-	(416,877)	-	(416,877)
	<u>-</u>	<u>10,173,123</u>	<u>-</u>	<u>10,173,123</u>
Total Liabilities	<u>70,621</u>	<u>10,191,362</u>	<u>(16,689)</u>	<u>10,245,294</u>
NET ASSETS				
Without Donor Restrictions	12,541,954	(2,114,108)	-	10,427,846
With Donor Restrictions	1,695,328	-	-	1,695,328
	<u>14,237,282</u>	<u>(2,114,108)</u>	<u>-</u>	<u>12,123,174</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,307,903</u>	<u>\$ 8,077,254</u>	<u>\$ (16,689)</u>	<u>\$ 22,368,468</u>

RONALD McDONALD HOUSE OF FORT WORTH, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
SEE INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

	Ronald McDonald House of Fort Worth, Inc.	1004 7th Avenue Holding Corporation	Eliminations	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 1,632,004	\$ -	\$ -	\$ 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
Rent Income	-	208,000	(208,000)	-
	<u>3,025,645</u>	<u>208,000</u>	<u>(208,000)</u>	<u>3,025,645</u>
Total Revenues and Other Support				
<u>EXPENSES</u>				
Program Services	1,883,411	775,741	(208,000)	2,451,152
Cost of Direct Benefits to Donors	456,332	-	-	456,332
Management and General	244,590	88,310	-	332,900
Fundraising	365,479	14,949	-	380,428
	<u>2,949,812</u>	<u>879,000</u>	<u>(208,000)</u>	<u>3,620,812</u>
Total Expenses				
<u>CHANGE IN NET ASSETS FROM OPERATIONS</u>	75,833	(671,000)	-	(595,167)
<u>INVESTMENT INCOME (LOSS), NET</u>	(265,636)	819	-	(264,817)
<u>CHANGE IN NET ASSETS</u>	(189,803)	(670,181)	-	(859,984)
<u>NET ASSETS</u> - Beginning of Year	14,427,085	(1,443,927)	-	12,983,158
<u>NET ASSETS</u> - End of Year	<u>\$ 14,237,282</u>	<u>\$ (2,114,108)</u>	<u>\$ -</u>	<u>\$ 12,123,174</u>