

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

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019**

**RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND
1004 7TH AVENUE HOLDING CORPORATION
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DECEMBER 31, 2020 AND 2019**

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CliftonLarsonAllen

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ronald McDonald House of Fort Worth, Inc. and 1004 7th Avenue Holding Corporation which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 27, 2021

**RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,276,498	\$ 1,048,043
Accounts Receivable, Net	18,629	14,440
Contributions Receivable, Net	334,792	75,457
Prepaid Expenses	71,090	38,199
	<u>1,701,009</u>	<u>1,176,139</u>
NONCURRENT ASSETS		
Contributions Receivable, Net	-	9,375
Note Receivable	-	7,665,100
Investments	6,640,839	6,030,002
Property and Equipment, Net	7,870,434	8,450,057
	<u>14,511,273</u>	<u>22,154,534</u>
TOTAL ASSETS	<u>\$ 16,212,282</u>	<u>\$ 23,330,673</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 64,126	\$ 113,278
Deferred Revenue	99,569	54,118
	<u>163,695</u>	<u>167,396</u>
NONCURRENT LIABILITIES		
Notes Payable	-	10,590,000
Less: Unamortized Debt Issuance Costs	-	(378,016)
	<u>-</u>	<u>10,211,984</u>
Total Liabilities	<u>163,695</u>	<u>10,379,380</u>
NET ASSETS		
Without Donor Restrictions	14,657,730	11,574,884
With Donor Restrictions	1,390,857	1,376,409
	<u>16,048,587</u>	<u>12,951,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,212,282</u>	<u>\$ 23,330,673</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, 2020**

	Without Donor Restrictions	With Donor Restrictions	2020 TOTAL
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ 2,314,331	\$ 138,202	\$ 2,452,533
Awards Under Paycheck Protection Program - See Note 15	231,022	-	231,022
Special Events Revenue, Net	27,031	-	27,031
Room Donations/Fees	118,267	-	118,267
Interest Income on Notes Receivable	199,564	-	199,564
Net Assets Released From Restrictions	123,754	(123,754)	-
	<u>3,013,969</u>	<u>14,448</u>	<u>3,028,417</u>
Total Revenues and Other Support			
<u>OPERATING EXPENSES</u>			
Program Services	2,223,237	-	2,223,237
Cost of Direct Benefits to Donors	5,276	-	5,276
Management and General	417,058	-	417,058
Fundraising	370,522	-	370,522
	<u>3,016,093</u>	<u>-</u>	<u>3,016,093</u>
Total Operating Expenses			
<u>CHANGE IN NET ASSETS FROM OPERATIONS</u>			
	(2,124)	14,448	12,324
<u>NONOPERATING INCOME (EXPENSE)</u>			
Investment Income, Net	597,435	-	597,435
Bank Interest and Other Income	6,791	-	6,791
Gain on the Closing of New Market Tax Credits	2,480,744	-	2,480,744
	<u>3,084,970</u>	<u>-</u>	<u>3,084,970</u>
Total Nonoperating Income			
<u>CHANGE IN NET ASSETS</u>			
	3,082,846	14,448	3,097,294
<u>NET ASSETS</u> - Beginning of Year			
	<u>11,574,884</u>	<u>1,376,409</u>	<u>12,951,293</u>
<u>NET ASSETS</u> - End of Year			
	<u>\$ 14,657,730</u>	<u>\$ 1,390,857</u>	<u>\$ 16,048,587</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, 2019**

	Without Donor Restrictions	With Donor Restrictions	2019 TOTAL
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ 2,053,636	\$ 125,233	\$ 2,178,869
Special Events Revenue	1,176,154	-	1,176,154
Room Donations/Fees	186,430	-	186,430
Interest Income on Notes Receivable	206,804	-	206,804
Net Assets Released From Restrictions	444,152	(444,152)	-
	<u>4,067,176</u>	<u>(318,919)</u>	<u>3,748,257</u>
<u>EXPENSES</u>			
Program Services	2,464,948	-	2,464,948
Cost of Direct Benefits to Donors	501,228	-	501,228
Management and General	351,688	-	351,688
Fundraising	398,937	-	398,937
	<u>3,716,801</u>	<u>-</u>	<u>3,716,801</u>
<u>CHANGE IN NET ASSETS FROM OPERATIONS</u>	350,375	(318,919)	31,456
<u>INVESTMENT INCOME, NET</u>	796,663	-	796,663
<u>CHANGE IN NET ASSETS</u>	1,147,038	(318,919)	828,119
<u>NET ASSETS</u> - Beginning of Year	10,427,846	1,695,328	12,123,174
<u>NET ASSETS</u> - End of Year	<u>\$ 11,574,884</u>	<u>\$ 1,376,409</u>	<u>\$ 12,951,293</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, 2020**

	Program Services	Management and General	Fund Raising	Cost of Direct Benefits to Donors	2020 TOTAL
Salaries and Wages	\$ 688,675	\$ 174,257	\$ 250,807	\$ -	\$ 1,113,739
Employee Benefits	81,295	11,469	22,305	-	115,069
Payroll Taxes	49,393	12,498	17,988	-	79,879
Total Salaries and Related Expenses	819,363	198,224	291,100	-	1,308,687
Events and Catering	-	-	-	5,276	5,276
Advertising and Marketing	113	-	9,826	-	9,939
Automobile/Transportation	2,332	608	-	-	2,940
Cleaning Services and Supplies	41,176	1,307	1,307	-	43,790
Depreciation	644,381	16,957	16,957	-	678,295
Family Support Services and Supplies	231,835	2,809	1,700	-	236,344
Insurance	62,563	2,056	2,056	-	66,675
Interest	194,242	38,861	-	-	233,103
Linens and Laundry	11,489	-	-	-	11,489
Maintenance and Repairs	86,608	2,241	2,242	-	91,091
Meetings, Education and Training	1,362	8,515	183	-	10,060
Postage and Printing	4,826	2,004	9,195	-	16,025
Professional Fees	-	121,154	19,801	-	140,955
Technology	39,959	1,173	1,158	-	42,290
Telephone	9,890	2,153	-	-	12,043
Utilities	71,379	1,899	1,899	-	75,177
Volunteers	1,009	386	-	-	1,395
Other	710	16,711	13,098	-	30,519
Total Expenses	\$ 2,223,237	\$ 417,058	\$ 370,522	\$ 5,276	\$ 3,016,093

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

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

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

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, 2020 AND 2019**

	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 3,097,294	\$ 828,119
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	678,295	708,025
Amortization	38,861	38,861
Net Appreciation of Investments	(509,691)	(676,046)
Gain on Forgiveness of Notes Payable	(10,145,844)	-
Loss on Forgiveness of Notes Receivable	7,665,100	-
Contributions Donor Restricted for Long-Term Purposes	-	23,366
(Increase) decrease in operating assets:		
Accounts Receivable	(4,189)	(8,829)
Contributions Receivable	(249,960)	(13,666)
Prepaid Expenses	(32,891)	(12,757)
Increase (decrease) in operating liabilities:		
Accounts Payable and Accrued Liabilities	(49,152)	75,707
Deferred Revenue	45,451	19,518
	<u>533,274</u>	<u>982,298</u>
Net Cash Provided by Operating Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(99,172)	(102,767)
Proceeds from Disposition of Property and Equipment	500	-
Proceeds from Maturities of Certificates of Deposit	-	311,967
Purchases of Investments	(2,572,021)	(3,295,869)
Proceeds from Sale of Investments	2,470,874	2,456,918
	<u>(199,819)</u>	<u>(629,751)</u>
Net Cash Used in Investing Activities		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Donor Restricted Contributions Received for Long-Term Purposes	-	(23,666)
Donor Restricted Endowment Fund Contributions Received	-	300
Principal Payments Made on Notes Payable	(105,000)	-
	<u>(105,000)</u>	<u>(23,366)</u>
Net Cash Used in Financing Activities		
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	228,455	329,181
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>1,048,043</u>	<u>718,862</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 1,276,498</u>	<u>\$ 1,048,043</u>
<u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Interest Paid	<u>\$ 194,242</u>	<u>\$ 207,670</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, 2020 AND 2019**

NOTE 1 - ORGANIZATION AND OPERATIONS

Ronald McDonald House of Fort Worth, Inc. (“the Organization”) is a Texas nonprofit corporation. 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.

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

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

While our operations continued during COVID-19, we faced numerous challenges such as decreased family intake/stays, suspension of two significant fundraisers and the suspension of our volunteer program including much needed meals donation and preparation. We temporarily suspended intake of new families for several months in early 2020 in order to implement new policies and protocols to ensure that we could serve families in a safe manner. We continue to follow guidelines set forth by Ronald McDonald House Charities and the Centers for Disease Control as we carefully assess the reinstatement of program operations on an ongoing basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS

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

BASIS OF PRESENTATION

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

**RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASURE OF OPERATIONS

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

CASH AND CASH EQUIVALENTS

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. Money market accounts and short-term investments of monies restricted in perpetuity are not considered to be cash equivalents since these funds are of a permanent nature. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash. The Organization did not have any cash equivalents as of December 31, 2020 or 2019.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. As of December 31, 2020 and 2019, no allowance for doubtful accounts was deemed necessary. The accounts receivable at December 31, 2020 and 2019, respectively, of \$18,629 and \$14,440 represent the only contract assets of the Organization.

CONTRIBUTIONS RECEIVABLE

The Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows (if material to the consolidated financial statements). The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible. At December 31, 2020 and 2019, no allowance for doubtful accounts was deemed necessary.

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

**RONALD McDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

INVESTMENTS

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

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

PROPERTY AND EQUIPMENT

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

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

Depreciation expense for the years ended December 31, 2020 and 2019 was \$678,295 and \$708,025, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

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

DEFERRED REVENUE

Income from sponsorships received in advance of future special events, which the resource provider is receiving commensurate value in return or a right of return exists if the event does not occur, is deferred and recognized over the periods to which the sponsorships relate. As of December 31, 2020 and 2019, deferred revenue of \$99,569 and \$54,118 is the only contract liabilities of the Organization.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

DONATED ASSETS, PROPERTY AND EQUIPMENT, AND SERVICES

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

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

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, 2020 and 2019 was \$38,861 and are reflected in interest expense on the consolidated statements of functional expenses. During the year ended December 31, 2020, the debt associated with these costs was forgiven in full as part of the closing of the New Market Tax Credit arrangement. As a result of this closing, the debt issuance costs were reduced to a zero balance at December 31, 2020. See Note 10 for additional details.

NET ASSETS

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

Without Donor Restrictions: Net assets that are not subject to donor (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time. As of December 31, 2020 and 2019, the governing board has designated, from net assets without donor restrictions, net of \$5,333,151 and \$4,474,979, respectively. See Note 12 for additional details.

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

USE OF ESTIMATES

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

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

REVENUE AND REVENUE RECOGNITION

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

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

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

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

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

FUNCTIONAL EXPENSES

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

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

INCOME TAX STATUS

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.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization has \$1,295,127 and \$1,062,483 of financial assets, as of December 31, 2020 and 2019, respectively, available to meet cash needs for general expenditures within one year of the statement of financial position date, as noted in the current assets section of the statement. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The current contributions receivable are subject to time restrictions, but will be collected within one year.

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

NOTE 4 - CONTRIBUTIONS RECEIVABLE

The Organization recognizes unconditional pledges as support in the period the pledge is made and reports them as contributions in the statement of activities. Contributions receivable at December 31, 2020 and 2019 are expected to be received as follows:

	<u>2020</u>	<u>2019</u>
Year Ending December 31, 2020	\$ -	\$ 75,457
Year Ending December 31, 2021	334,792	9,375
Year Ending December 31, 2022	-	-
Contributions Receivables- Gross	<u>334,792</u>	<u>84,832</u>
Less: Allowance for Uncollectible Accounts	<u>-</u>	<u>-</u>
Contributions Receivables- Net	<u>\$ 334,792</u>	<u>\$ 84,832</u>

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 - CONTRIBUTIONS RECEIVABLE - Continued

The contribution receivable at December 31, 2020 and 2019 is reflected on the statements of financial position as follows:

Description	2020	2019
Within Current Assets	\$ 334,792	\$ 75,457
Within Noncurrent Assets	-	9,375
Contributions Receivables- Net	<u>\$ 334,792</u>	<u>\$ 84,832</u>

The Organization had no bad debt expense for the years ended December 31, 2020 and 2019.

NOTE 5 – NOTE RECEIVABLE

At December 31, 2019, the Organization had 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%. During 2020, the Organization unwound its New Market Tax Credit arrangement which resulted in a settlement of the notes receivable with Chase NMTC RMH-FW Investment Fund, LLC. As a result, the balance of the notes receivable from Chase NMTC RMH-FW Investment Fund, LLC was \$-0- at December 31, 2020, and a loss in the amount of the principal of the note balance was recognized in the statement of activities as part of the unwinding and credit redemption under the arrangement (see Note 10).

NOTE 6 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

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

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

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

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

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – FAIR VALUE MEASUREMENTS AND INVESTMENTS - Continued

The fair values of assets measured on a recurring basis consist of investments. Investments as of December 31, 2020 consisted of the following:

Investment Description	Fair Value	Cost	Cumulative Unrealized Gain (Loss)
Money Market Mutual Funds	\$ 599,702	\$ 599,702	\$ -
Fixed Income Mutual Funds	2,615,398	2,511,530	103,868
Hedge Mutual Funds	78,057	78,327	(270)
Equity Mutual Funds- Domestic	2,322,927	1,431,242	891,685
Equity Mutual Funds- International	1,024,755	895,470	129,285
Total Investments - Level 1 Inputs	\$ 6,640,839	\$ 5,516,271	\$ 1,124,568

See Note 12 reflecting the above investments as \$4,998,359 as board designated endowment funds and \$1,131,250 as donor restricted endowment funds.

Investments as of December 31, 2019 consisted of the following:

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

See Note 12 reflecting the above investments as \$4,390,147 as board designated endowment funds and \$1,131,250 as donor restricted endowment funds.

The total investment return from investments for the years ended December 31, 2020 and 2019 is as follows:

Description	2020	2019
Interest and Dividend Income on Investments	\$ 124,377	\$ 142,048
Interest Income on Certificates of Deposit and Other	-	13,069
Fiduciary Fees Paid	(37,343)	(34,500)
Total Interest and Dividend Income, Net	87,034	120,617
Realized Gain on Sale of Investments	56,904	29,669
Unrealized Appreciation on Investments	453,497	646,377
Investment Income, Net	\$ 597,435	\$ 796,663

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,898,233	\$ 1,898,233
Buildings	14,343,042	14,277,120
Furniture, Fixtures and Equipment	1,216,166	1,183,416
Vehicles	<u>33,582</u>	<u>33,582</u>
Total Property and Equipment	17,491,023	17,392,351
Less: Accumulated Depreciation	<u>(9,620,589)</u>	<u>(8,942,294)</u>
Property and Equipment, Net	<u>\$ 7,870,434</u>	<u>\$ 8,450,057</u>

Depreciation expense was \$678,295 and \$708,025 for the years ended December 31, 2020 and 2019, 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 \$114,787 and \$257,795, respectively, for the years ended December 31, 2020 and 2019, are reflected in the consolidated statements of activities.

Additionally, the Organization received donated goods and services for their special events. This amounted to \$45,358 and \$229,850 for the years ended December 31, 2020 and 2019, respectively. These items were sold during the events in which the proceeds were recorded as special events revenue.

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 and an interest rate of LIBOR rate plus 2.00%. The line of credit matured on November 30, 2020 and was not renewed by the Organization. The line of credit had a balance of \$-0- at the time of maturity.

Interest expense for the years ended December 31, 2020 and 2019 on this line of credit note was \$-0-.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 10 – NOTES PAYABLE

After the seven-year New Market Tax Credit period expired on December 8, 2020, the Organization, specifically 1004 7th Avenue Holding Corporation, exercised its option for early repayment of certain notes payable and unwound its New Market Tax Credit arrangement from 2013 with NDC New Markets Investments LXXXVI and Community Development Funding XVII, LLC. In settlement of this arrangement of notes payable in the amount of \$10,590,000 were redeemed with two cash payments totaling \$158,246 (of which \$105,000 represented principal and the remainder represented interest and fees), settlement of a note receivable held by Ronald McDonald House of Fort Worth of \$7,665,100, and forgiveness of the remaining \$2,480,744 in accordance with the terms of the original agreement. Included in this was the elimination of loan origination fees, net of accumulated amortization, in the amount of \$339,156. A net gain in the amount of \$2,480,744 was recorded on the transaction as a result of the loan forgiveness.

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

Payable To and Terms:	2020	2019
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

Interest expense for each of the years ended December 31, 2020 and 2019 on the above notes payable was \$194,242 and \$207,670, respectively.

NOTE 11 – EMPLOYEE BENEFIT PLAN

During 2000 the Organization started a Simple IRA Plan whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting certain service requirements. Employees could elect to contribute up to \$13,500 in year 2020 and \$13,000 in year 2019 (exclusive of additional \$3,000 for those aged 50 or over). The Company's contribution obligation is 3.0 percent of the employee's gross pay for the employees who participated in the Plan. During the years ended December 31, 2020 and 2019 the Organization made contributions in the amounts of \$16,810 and \$22,184, respectively. Contribution expense is included in employee benefits expense on the consolidated statements of functional expenses.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 12 – NET ASSETS WITHOUT AND WITH DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Unexpended	\$ 1,454,145	\$ 1,196,732
Board Designated - Construction	334,792	84,832
Board Designated - Endowment	4,998,359	4,390,147
Expended - Property and Equipment, Net of Debt	<u>7,870,434</u>	<u>5,903,173</u>
 Total Net Assets Without Donor Restrictions	 <u>\$ 14,657,730</u>	 <u>\$ 11,574,884</u>

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Program Activities		
Family Room at Cook Children's Hospital	\$ 36,880	\$ 36,880
House Equipment/Remodel/Other	1,139	1,139
Kroc - House Operations	95,267	95,267
Meals from the Heart	<u>115,287</u>	<u>111,873</u>
Subtotal	248,573	245,159
Endowments:		
Restricted by Donors for General Use	1,131,250	1,131,250
Subject to passage of time:		
For Periods after December 31st	<u>11,034</u>	<u>-</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 1,390,857</u>	 <u>\$ 1,376,409</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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Capital Improvements	\$ 8,000	\$ 56,000
Bed Mattresses and Linens	-	351,506
Technology	42,000	-
Meals from the Heart	<u>73,754</u>	<u>16,646</u>
	123,754	424,152
Time restrictions expired:		
Passage of Specified Time	<u>-</u>	<u>20,000</u>
 Total Restrictions Released	 <u>\$ 123,754</u>	 <u>\$ 444,152</u>

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 with donor restrictions until appropriated for expenditure and composed of interest, dividends, realized and unrealized gains or losses. The majority of the assets restricted in perpetuity originated from the \$496,250 donation of McDonald's common stock by Mrs. Kroc in 1993. Total contributions restricted in perpetuity received as of December 31, 2020 and 2019 was \$1,131,250.

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.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 13 - ENDOWMENT FUNDS - Continued

BOARD-DESIGNATED ENDOWMENTS (WITHOUT DONOR RESTRICTIONS)

As of December 31, 2020 and 2019, the Board of Directors has designated \$4,998,359 and \$4,390,147 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.

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.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 13 - ENDOWMENT FUNDS - Continued

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, 2018	\$ 3,384,055	\$ 1,130,950	\$ 4,515,005
Investment return, net	783,594	-	783,594
Donor Restricted Contributions	-	300	300
Funds to be Transferred from Operating Cash	222,498	-	222,498
Appropriation of endowment assets for expenditure	-	-	-
Endowment Net Assets - December 31, 2019	4,390,147	1,131,250	5,521,397
Investment return, net	597,435	-	597,435
Donor Restricted Contributions	-	-	-
Funds Transferred from Operating Cash	10,777	-	10,777
Appropriation of endowment assets for expenditure	-	-	-
Endowment Net Assets - December 31, 2020	<u>\$ 4,998,359</u>	<u>\$ 1,131,250</u>	<u>\$ 6,129,609</u>
Board-Designated Endowment Funds	\$ 4,998,359	\$ -	\$ 4,998,359
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	1,131,250	1,131,250
Portion subject to appropriation under UPMIFA	-	-	-
Total Funds	<u>\$ 4,998,359</u>	<u>\$ 1,131,250</u>	<u>\$ 6,129,609</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
AND 1004 7TH AVENUE HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 14 – SPECIAL EVENTS

Due to the global pandemic, COVID-19, occurring during 2020, the Organization was forced to cancel their Wild Game and Roadhouse events during the year ended December 31, 2020. Sponsorships obtained prior to the cancelling of the events were either transferred to the 2021 events, kept as a donation from the donor, or refunded to the sponsor upon their request. Because a live event could not be held, the Organization held an online silent auction in lieu of the cancelled events.

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

Description of Event	Support	Direct Costs	Gross Profit
Wild Game	\$ 485,309	\$ 135,339	\$ 349,970
Roadhouse	460,995	136,039	324,956
Special Events - Net	<u>\$ 946,304</u>	<u>\$ 271,378</u>	<u>\$ 674,926</u>

NOTE 15 – PAYCHECK PROTECTION PROGRAM

On April 13, 2020, the Organization received proceeds in the amount of \$231,022 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the “PPP Loan”). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Organization has classified this loan as a conditional contribution for accounting purposes. The Organization recognized the entire \$231,022 as revenue related to this agreement during the year ended December 31, 2020, of PPP loan funds for which the performance barriers have been met.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Center’s financial position.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 27, 2021, the date on which the consolidated financial statements were available to be issued.

On March 24, 2021, the Organization received proceeds in the amount of \$231,020 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the second round of the Paycheck Protection Program (the “PPP Loan”). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain conditions, as outlined in the loan agreement and the CARES Act. The loan carries an interest rate of .98% per annum based on a year of 360 days and matures on March 24, 2026.

On March 5, 2021, the Organization received formal notification from the Office of the Secretary of the State for formal filing of the Certificate of Termination of the entity, 1004 7th Avenue Holding Corporation.



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

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

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

We have audited the consolidated financial statements of Ronald McDonald House of Fort Worth, Inc. and 1004 7th Avenue Holding Corporation as of and for the year ended December 31, 2020, 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 27, 2021

RONALD McDONALD HOUSE OF FORT WORTH, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
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	\$ 1,276,498	\$ -	\$ -	\$ 1,276,498
Accounts Receivable, Net	18,629	-	-	18,629
Contributions Receivable, Net	334,792	-	-	334,792
Prepaid Expenses	71,090	-	-	71,090
	<u>1,701,009</u>	<u>-</u>	<u>-</u>	<u>1,701,009</u>
NONCURRENT ASSETS				
Investments	6,640,839	-	-	6,640,839
Property and Equipment, Net	7,870,434	-	-	7,870,434
	<u>14,511,273</u>	<u>-</u>	<u>-</u>	<u>14,511,273</u>
TOTAL ASSETS	<u>\$ 16,212,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,212,282</u>
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 64,126	\$ -	\$ -	\$ 64,126
Deferred Revenue	99,569	-	-	99,569
	<u>163,695</u>	<u>-</u>	<u>-</u>	<u>163,695</u>
Total Current Liabilities	<u>163,695</u>	<u>-</u>	<u>-</u>	<u>163,695</u>
Total Liabilities	<u>163,695</u>	<u>-</u>	<u>-</u>	<u>163,695</u>
NET ASSETS				
Without Donor Restrictions	14,657,730	-	-	14,657,730
With Donor Restrictions	1,390,857	-	-	1,390,857
	<u>16,048,587</u>	<u>-</u>	<u>-</u>	<u>16,048,587</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,212,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,212,282</u>

**RONALD McDONALD HOUSE OF FORT WORTH, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
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	\$ 2,452,533	\$ -	\$ -	\$ 2,452,533
Awards Under Paycheck Protection Program - See Note 15	231,022	-	-	231,022
Special Events Revenue, Net	27,031	-	-	27,031
Room Donations/Fees	118,267	-	-	118,267
Interest Income on Notes Receivable	199,564	-	-	199,564
Rent Income	-	170,567	(170,567)	-
Total Revenues and Other Support	<u>3,028,417</u>	<u>170,567</u>	<u>(170,567)</u>	<u>3,028,417</u>
<u>OPERATING EXPENSES</u>				
Program Services	1,623,660	770,144	(170,567)	2,223,237
Cost of Direct Benefits to Donors	5,276	-	-	5,276
Management and General	319,947	97,111	-	417,058
Fundraising	355,367	15,155	-	370,522
Total Operating Expenses	<u>2,304,250</u>	<u>882,410</u>	<u>(170,567)</u>	<u>3,016,093</u>
<u>CHANGE IN NET ASSETS FROM OPERATIONS</u>	724,167	(711,843)	-	12,324
<u>NONOPERATING INCOME (EXPENSE)</u>				
Investment Income, Net	597,435	-	-	597,435
Bank Interest and Other Income	6663	128	-	6,791
Gain (Loss) on the Closing of New Market Tax Credits - See Note 10	(7,665,100)	10,145,844	-	2,480,744
Revenue (Expense) from Dissolution - See Note 10	6,641,734	(6,641,734)	-	-
Total Nonoperating Income (Expense)	<u>(419,268)</u>	<u>3,504,238</u>	<u>-</u>	<u>3,084,970</u>
<u>CHANGE IN NET ASSETS</u>	304,899	2,792,395	-	3,097,294
<u>NET ASSETS</u> - Beginning of Year	<u>15,743,688</u>	<u>(2,792,395)</u>	<u>-</u>	<u>12,951,293</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 16,048,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,048,587</u>