

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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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

Opinion

We have audited the accompanying financial statements of Ronald McDonald House of Fort Worth, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House of Fort Worth as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House of Fort Worth and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House of Fort Worth's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ronald McDonald House of Fort Worth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House of Fort Worth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Fort Worth, Texas
June 23, 2022

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,392,620	\$ 1,276,498
Certificates of Deposit	1,000,000	-
Accounts Receivable, Net	2,543	18,629
Employee Retention Credit Receivables	95,961	-
Contributions Receivable, Net	40,947	334,792
Prepaid Expenses	36,533	71,090
Total Current Assets	2,568,604	1,701,009
NONCURRENT ASSETS		
Investments	7,349,080	6,640,839
Property and Equipment, Net	7,404,285	7,870,434
Total Noncurrent Assets	14,753,365	14,511,273
Total Assets	\$ 17,321,969	\$ 16,212,282
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 171,865	\$ 64,126
Deferred Revenue	62,647	99,569
Total Current Liabilities	234,512	163,695
NET ASSETS		
Without Donor Restrictions	15,714,327	14,657,730
With Donor Restrictions	1,373,130	1,390,857
Total Net Assets	17,087,457	16,048,587
Total Liabilities and Net Assets	\$ 17,321,969	\$ 16,212,282

The accompanying Notes to Financial Statements are an integral part of these statements.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 1,946,374	\$ 96,890	\$ 2,043,264
Grant Revenue from COVID Relief Acts - See Note 13	463,279	-	463,279
Special Events Revenue	668,701	-	668,701
Room Donations/Fees	81,744	-	81,744
Net Assets Released from Restrictions	261,408	(261,408)	-
Total Revenues and Other Support	3,421,506	(164,518)	3,256,988
OPERATING EXPENSES			
Program Services	2,055,323	-	2,055,323
Cost of Direct Benefits to Donors	128,621	-	128,621
Management and General	327,118	-	327,118
Fundraising	413,356	-	413,356
Total Operating Expenses	2,924,418	-	2,924,418
CHANGE IN NET ASSETS FROM OPERATIONS	497,088	(164,518)	332,570
NONOPERATING INCOME			
Investment Income, Net	558,385	146,791	705,176
Bank Interest and Other Income	1,124	-	1,124
Total Nonoperating Income	559,509	146,791	706,300
CHANGE IN NET ASSETS	1,056,597	(17,727)	1,038,870
Net Assets - Beginning of Year	14,657,730	1,390,857	16,048,587
NET ASSETS - END OF YEAR	\$ 15,714,327	\$ 1,373,130	\$ 17,087,457

The accompanying Notes to Financial Statements are an integral part of these statements.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 2,314,331	\$ 138,202	\$ 2,452,533
Awards Under Paycheck Protection Program - See Note 13	231,022	-	231,022
Special Events Revenue	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)	-
Total Revenues and Other Support	3,013,969	14,448	3,028,417
OPERATING EXPENSES			
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
Total Operating Expenses	3,016,093	-	3,016,093
CHANGE IN NET ASSETS FROM OPERATIONS	(2,124)	14,448	12,324
NONOPERATING INCOME			
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
Total Nonoperating Income	3,084,970	-	3,084,970
CHANGE IN NET ASSETS	3,082,846	14,448	3,097,294
Net Assets - Beginning of Year	11,574,884	1,376,409	12,951,293
NET ASSETS - END OF YEAR	\$ 14,657,730	\$ 1,390,857	\$ 16,048,587

The accompanying Notes to Financial Statements are an integral part of these statements.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	2021 Total
Salaries and Wages	\$ 675,293	\$ 168,823	\$ 245,066	\$ -	\$ 1,089,182
Employee Benefits	118,892	13,858	26,624	-	159,374
Payroll Taxes	55,510	13,876	20,145	-	89,531
Total Salaries and Related Expenses	849,695	196,557	291,835	-	1,338,087
Events and Catering	-	-	-	128,621	128,621
Advertising and Marketing	-	-	32,222	-	32,222
Automobile/Transportation	2,710	952	-	-	3,662
Cleaning Services and Supplies	35,240	923	923	-	37,086
Depreciation	603,549	15,883	15,883	-	635,315
Family Support Services and Supplies	213,785	4,972	12,141	-	230,898
Insurance	81,884	2,081	2,081	-	86,046
Linens and Laundry	18,692	-	-	-	18,692
Maintenance and Repairs	119,010	2,947	2,947	-	124,904
Meetings, Education and Training	1,783	5,767	537	-	8,087
Postage and Printing	4,484	1,218	14,464	-	20,166
Professional Fees	-	82,666	-	-	82,666
Bank Services Charges	-	-	26,748	-	26,748
Technology	26,437	760	600	-	27,797
Telephone	10,758	2,141	-	-	12,899
Utilities	79,569	1,999	1,999	-	83,567
Volunteers	156	495	-	-	651
Other	7,571	7,757	10,976	-	26,304
Total Expenses	<u>\$ 2,055,323</u>	<u>\$ 327,118</u>	<u>\$ 413,356</u>	<u>\$ 128,621</u>	<u>\$ 2,924,418</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	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	<u>\$ 2,223,237</u>	<u>\$ 417,058</u>	<u>\$ 370,522</u>	<u>\$ 5,276</u>	<u>\$ 3,016,093</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,038,870	\$ 3,097,294
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	635,315	678,295
Amortization	-	38,861
Net Appreciation of Investments	(542,815)	(510,401)
Gain on Forgiveness of Notes Payable	-	(10,145,844)
Loss on Forgiveness of Notes Receivable	-	7,665,100
(Increase) Decrease in Operating Assets:		
Accounts Receivable	16,086	(4,189)
Employee Retention Credit Receivables - See Note 13	(95,961)	-
Contributions Receivable	293,845	(249,960)
Prepaid Expenses	34,557	(32,891)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	30,579	(49,152)
Deferred Revenue	(36,922)	45,451
Net Cash Provided by Operating Activities	1,373,554	532,564
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(92,004)	(99,172)
Proceeds from Disposition of Property and Equipment	-	500
Purchases of Certificates of Deposit	(1,000,000)	-
Purchases of Investments	(2,345,156)	(2,571,311)
Proceeds from Sale of Investments	2,179,728	2,470,874
Net Cash Used by Investing Activities	(1,257,432)	(199,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments Made on Notes Payable	-	(105,000)
Net Cash Provided (Used) by Financing Activities	-	(105,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	116,122	228,455
Cash and Cash Equivalents - Beginning of Year	1,276,498	1,048,043
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,392,620	\$ 1,276,498
NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest Paid	\$ -	\$ 194,242

The accompanying Notes to Financial Statements are an integral part of these statements.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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) was a Texas nonprofit 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 developed and leased certain real property to the Organization to be used for administration and programs. 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.

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 to access top medical care, accommodations and support for families can be expensive or not readily available. The Organization helps families stay close to their ill or injured child through the Ronald McDonald House program located in North Texas, which provides temporary lodging, meals and other support to children and their families. The program provides families with emotional and physical comfort and increases the caregivers' ability to spend more time with their child, to interact with their clinical care team and to participate in critical medical care decisions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measure of Operations

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

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. Money market accounts and short-term investments of 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, 2021 or 2020.

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, 2021 and 2020, no allowance for doubtful accounts was deemed necessary. The accounts receivable at December 31, 2021 and 2020, respectively, of \$2,543 and \$18,629 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 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, 2021 and 2020, no allowance for doubtful accounts was deemed necessary.

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

Investments

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

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

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment

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

Buildings	20 Years
Furniture, Fixtures, and Equipment	3 to 7 Years
Vehicles	5 Years

Depreciation expense for the years ended December 31, 2021 and 2020 was \$635,315 and \$678,295, 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, 2021 and 2020, deferred revenue of \$62,647 and \$99,569 is the only contract liabilities of the Organization.

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 financial statements.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2021 and 2020, the governing board has designated, from net assets without donor restrictions, net of \$6,258,777 and \$5,333,151, respectively. See Note 10 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 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.

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. As of December 31, 2021, the Organization had no such conditional grants and contracts outstanding.

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.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition - Continued

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. Third-party Reimbursements amounted to \$81,744 and \$118,267 for the years ended December 31, 2021 and 2020, respectively.

Functional Expenses

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

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization has \$2,491,124 and \$1,295,127 of financial assets, as of December 31, 2021 and 2020, 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.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 are expected to be received as follows:

	2021	2020
Amounts due in:		
Less than One Year	\$ 40,947	\$ 334,792

NOTE 5 – 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, 2021 consisted of the following:

<u>Investment Description</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money Market Mutual Funds	\$ 115,920	\$ 115,920	\$ -
Fixed Income Mutual Funds	2,853,315	2,895,670	(42,355)
Hedge Mutual Funds	95,161	92,702	2,459
Equity Mutual Funds- Domestic	2,875,268	1,538,553	1,336,715
Equity Mutual Funds- International	1,409,416	1,212,762	196,654
Total Investments - Level 1 Inputs	\$ 7,349,080	\$ 5,855,607	\$ 1,493,473

See Note 11 reflecting the above investments as \$6,217,830 as board designated endowment funds and \$1,131,250 as donor restricted endowment funds.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS – Continued

Investments as of December 31, 2020 consisted of the following:

<u>Investment Description</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
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	<u>\$ 6,640,839</u>	<u>\$ 5,516,271</u>	<u>\$ 1,124,568</u>

See Note 11 reflecting the above investments as \$4,998,359 as board designated endowment funds and \$1,131,250 as donor restricted endowment funds.

The composition of investment income on the Organization's investment portfolio for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and Dividend Income on Investments	\$ 205,035	\$ 124,377
Interest Income on Certificates of Deposit and Other	1,393	-
Fiduciary Fees Paid	(44,067)	(37,343)
Total Interest and Dividend Income, Net	162,361	87,034
Realized Gain on Sale of Investments	173,549	56,904
Unrealized Appreciation on Investments	369,266	453,497
Investment Income, Net	<u>\$ 705,176</u>	<u>\$ 597,435</u>

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,898,233	\$ 1,898,233
Buildings	14,359,466	14,343,042
Furniture, Fixtures and Equipment	1,368,959	1,216,166
Vehicles	33,582	33,582
Total Property and Equipment	17,660,240	17,491,023
Less: Accumulated Depreciation	(10,255,955)	(9,620,589)
Property and Equipment, Net	<u>\$ 7,404,285</u>	<u>\$ 7,870,434</u>

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - 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 \$84,302 and \$114,787, respectively, for the years ended December 31, 2021 and 2020, are reflected in the statements of activities.

Additionally, the Organization received donated goods and services for their special events. This amounted to \$13,444 and \$45,358 for the years ended December 31, 2021 and 2020, respectively. These items were sold during the events in which the proceeds were recorded as special events revenue.

NOTE 8 – 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.

Interest expense for the year ended December 31, 2020 on the above notes payable was \$194,242. No interest expense was incurred for the year ending December 31, 2021.

NOTE 9 – 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 years 2021 and 2020 (exclusive of additional \$3,000 for those aged 50 or over). The Company's contribution obligation is 3.0% of the employee's gross pay for the employees who participated in the Plan. During the years ended December 31, 2021 and 2020 the Organization made contributions in the amounts of \$28,676 and \$16,810, respectively. Contribution expense is included in employee benefits expense on the statements of functional expenses.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 – NET ASSETS WITHOUT AND WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Unexpended	\$ 2,051,265	\$ 1,454,145
Board Designated - Construction	40,947	334,792
Board Designated - Endowment	6,217,830	4,998,359
Expended - Property and Equipment, Net of Debt	7,404,285	7,870,434
Total Net Assets Without Donor Restrictions	<u>\$ 15,714,327</u>	<u>\$ 14,657,730</u>

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

	<u>2021</u>	<u>2020</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	108,594	115,287
Subtotal	<u>241,880</u>	<u>248,573</u>
Subject to Passage of Time:		
For Periods after December 31st	-	11,034
Subject to the Organization's spending policy and appropriation:		
Endowments:		
Restricted by Donors for General Use	1,131,250	1,131,250
Total Net Assets With Donor Restrictions	<u>\$ 1,373,130</u>	<u>\$ 1,390,857</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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions Accomplished:		
Capital Improvements	\$ -	\$ 8,000
Technology	-	42,000
Meals from the Heart	103,583	73,754
Subtotal	<u>103,583</u>	<u>123,754</u>
Time Restrictions Expired:		
Passage of Specified Time	11,034	-
Total Restrictions Released	<u>\$ 114,617</u>	<u>\$ 123,754</u>

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 - 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, 2021 and 2020 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.

The income of the Kroc Endowment held by the Organization is available to spend each as needed.

BOARD-DESIGNATED ENDOWMENTS (WITHOUT DONOR RESTRICTIONS)

As of December 31, 2021 and 2020, the Board of Directors has designated \$6,217,830 and \$4,998,359 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.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 - 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:

<u>Description</u>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - December 31, 2019	\$ 4,390,147	\$ 1,131,250	\$ 5,521,397
Investment Return, Net	459,356	138,079	597,435
Funds to be Transferred from Operating Cash	10,777	-	10,777
Appropriation of Endowment Assets for Expenditure	<u>138,079</u>	<u>(138,079)</u>	<u>-</u>
Endowment Net Assets - December 31, 2020	4,998,359	1,131,250	6,129,609
Investment Return, Net	558,385	146,791	705,176
Funds Transferred from Operating Cash	514,295	-	514,295
Appropriation of Endowment Assets for Expenditure	<u>146,791</u>	<u>(146,791)</u>	<u>-</u>
Endowment Net Assets - December 31, 2021	<u>\$ 6,217,830</u>	<u>\$ 1,131,250</u>	<u>\$ 7,349,080</u>
Composition of Endowment Funds:			
Board-Designated Endowment Funds	\$ 6,217,830	\$ -	\$ 6,217,830
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Retained by Donor	-	1,131,250	1,131,250
Total - December 31, 2021	<u>\$ 6,217,830</u>	<u>\$ 1,131,250</u>	<u>\$ 7,349,080</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
Total - December 31, 2020	<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, 2021 and 2020.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – SPECIAL EVENTS

The Organization held the following special events during the year ended December 31, 2021. A summary of these activities is as follows:

<u>Description of Event</u>	<u>Support</u>	<u>Direct Costs</u>	<u>Gross Profit</u>
40th Anniversary Event	\$ 452,508	\$ 61,203	\$ 391,305
40th Anniversary Event - Donated Goods and Services	5,382	5,382	-
Clay Shoot	130,971	30,001	100,970
Clay Shoot - Donated Goods and Services	4,544	4,544	-
Golf Tournament	70,778	22,431	48,347
Golf Tournament - Donated Goods and Services	3,518	3,518	-
Other	1,000	1,542	(542)
Special Events - Net	<u>\$ 668,701</u>	<u>\$ 128,621</u>	<u>\$ 540,080</u>

Due to the global pandemic, COVID-19, occurring during 2020, the Organization was forced to cancel their recurring 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.

NOTE 13 – GRANT REVENUE FROM COVID RELIEF ACTS

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 Organization received notification from the SBA on June 22, 2021, that the entire amount of the PPP Loan has been forgiven.

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 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 \$231,020 as revenue related to this agreement during the year ended December 31, 2021, of PPP loan funds for which the performance barriers have been met. The Organization received notification from the SBA on May 24, 2022, that the entire amount of the PPP Loan has been forgiven.

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 Organization's financial position.

RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 – GRANT REVENUE FROM COVID RELIEF ACTS – Continued

Certain funding programs from the government under certain Covid Relief Acts are recognized when all conditions of such programs are fulfilled or there is reasonable assurance that they will be fulfilled. The Organization complied with the conditions of the Employee Retention Tax Credit (ERC) funding in the amount of \$232,259 for the applicably eligible quarters of 2021. Grants related to the Employee Retention Tax Credit are classified as Grant Revenue from Covid Relief Acts in the Statement of Activities and Employee Retention Credit Receivables in the Statement of Financial Position.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Organization's financial position.

NOTE 14 – RISKS AND UNCERTAINTIES

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2022 operations and financial results. In addition, investment markets may continue to experience significant fluctuations. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2022, the date on which the financial statements were available to be issued.

On May 24, 2022, the Organization received notification from the SBA that their PPP Loan was forgiven in full. See Note 13.

NOTE 16 – RECENT ACCOUNTING PRONOUNCEMENTS

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 as well as expanded disclosures. 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, 2022.

**RONALD MCDONALD HOUSE OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 16 – RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Contributed Nonfinancial Assets

In September 2020, the FASB issued amended guidance for contributed nonfinancial assets. The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used, and related valuation techniques. The amendments in the guidance will be effective for the year ending December 31, 2022.

NOTE 17 – CERTIFICATES OF DEPOSIT

The Organization maintains one certificate of deposit recorded at cost and held at a local institution with an annual interest rate of .20% and a maturity date in July 2022.

NOTE 18 – RELATED PARTY TRANSACTIONS

The Organization received \$52,634 and \$40,655 in contributions and \$72,734 and \$52,600 in special event sponsorships from board members in 2021 and 2020, respectively.

NOTE 19 – REVENUE RECOGNITION

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of goods or services.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Revenue Recognized at a Point in Time</u>			
Third-Party Rembursements	\$ 81,744	\$ 118,267	\$ 186,430
Sponsorships and Ticket Sales for Special Events	668,701	27,031	1,176,154
Total Revenue Recognized at a Point in Time	<u>\$ 750,445</u>	<u>\$ 145,298</u>	<u>\$ 1,362,584</u>

NOTE 20 – CONTRACT ASSETS AND LIABILITIES

The Organization's contract assets and liabilities consist of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Accounts Receivable</u>			
Third-Party Rembursements	\$ 810	\$ 3,672	\$ 10,437
Total Accounts Receivable	<u>\$ 810</u>	<u>\$ 3,672</u>	<u>\$ 10,437</u>
<u>Liabilities</u>			
Deferred Revenue for Special Events	\$ 50,000	\$ 71,975	\$ 41,000
Total Liabilities	<u>\$ 50,000</u>	<u>\$ 71,975</u>	<u>\$ 41,000</u>