



Consolidated Financial Statements
and
Supplemental Schedules
with
Independent Auditors' Report

Years Ended December 31, 2009 and 2008

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILILATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ronald McDonald House of Dallas, Inc. and Affiliates

We have audited the accompanying consolidated statements of financial position of Ronald McDonald House of Dallas, Inc. and Affiliates (the Organization) as of December 31, 2009 and 2008, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Dallas, Inc., and Affiliates as of December 31, 2009 and 2008, and the consolidated changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, management made an adjustment to beginning net assets as of January 1, 2008, to account for a previously unrecorded beneficial interest held in trust. A change in the fair value of the beneficial interest was also recorded for the year ended December 31, 2008. Further, management made an adjustment to the pledges receivable and contribution revenue as of December 31, 2008, and for the year then ended to correct an error relating to a specific pledge made during the capital campaign. Accordingly, the above mentioned accounts and consolidated financial statements have been restated.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in the supplemental schedules is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Travis Woeff, LLP

August 19, 2010

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Consolidated Statements of Financial Position December 31, 2009 and 2008

	2009	2008 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,432,644	\$ 12,244,417
Pledges receivable, net	2,845,054	4,432,639
Investments, at fair value	7,280,415	7,525,215
Prepaid expenses and other assets	49,120	68,538
Total current assets	14,607,233	24,270,809
Beneficial interest held in trust	864,000	864,000
Property and equipment, net	20,567,402	6,257,467
Total assets	\$ 36,038,635	\$ 31,392,276
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,689,469	\$ 1,376,848
Deferred revenue	143,350	205,350
Total current liabilities	1,832,819	1,582,198
Commitments and contingencies (Note 11)		
Net assets:		
Unrestricted	29,992,887	21,051,203
Temporarily restricted	3,721,054	8,267,000
Permanently restricted	491,875	491,875
Total net assets	34,205,816	29,810,078
Total liabilities and net assets	\$ 36,038,635	\$ 31,392,276

See accompanying notes to consolidated financial statements.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Consolidated Statements of Activities
Years Ended December 31, 2009 and 2008

	2009				2008 (Restated)			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:								
Public support:								
Contributions	\$ 710,581	\$ 3,010,574	\$ -	\$ 3,721,155	\$ 564,738	\$ 6,343,314	\$ -	\$ 6,908,052
Special events	1,395,023	-	-	1,395,023	1,411,510	-	-	1,411,510
	<u>2,105,604</u>	<u>3,010,574</u>	<u>-</u>	<u>5,116,178</u>	<u>1,976,248</u>	<u>6,343,314</u>	<u>-</u>	<u>8,319,562</u>
Other revenue:								
Program service fees	133,403	-	-	133,403	122,624	-	-	122,624
Interest and dividends	312,090	-	-	312,090	509,670	-	-	509,670
Change in fair value of beneficial interest held in trusts	-	-	-	-	-	(130,000)	-	(130,000)
Net realized and unrealized gain (loss) on investments	1,477,905	-	-	1,477,905	(4,481,654)	-	-	(4,481,654)
Net assets released from restrictions	7,556,520	(7,556,520)	-	-	3,243,168	(3,243,168)	-	-
	<u>9,479,918</u>	<u>(7,556,520)</u>	<u>-</u>	<u>1,923,398</u>	<u>(606,192)</u>	<u>(3,373,168)</u>	<u>-</u>	<u>(3,979,360)</u>
Total revenue and support	<u>11,585,522</u>	<u>(4,545,946)</u>	<u>-</u>	<u>7,039,576</u>	<u>1,370,056</u>	<u>2,970,146</u>	<u>-</u>	<u>4,340,202</u>
Expenses:								
Program services	1,318,849	-	-	1,318,849	1,109,784	-	-	1,109,784
Fundraising	1,177,023	-	-	1,177,023	1,007,671	-	-	1,007,671
Management and general	147,966	-	-	147,966	148,784	-	-	148,784
	<u>2,643,838</u>	<u>-</u>	<u>-</u>	<u>2,643,838</u>	<u>2,266,239</u>	<u>-</u>	<u>-</u>	<u>2,266,239</u>
Change in net assets	<u>8,941,684</u>	<u>(4,545,946)</u>	<u>-</u>	<u>4,395,738</u>	<u>(896,183)</u>	<u>2,970,146</u>	<u>-</u>	<u>2,073,963</u>
Net assets, beginning of the year (Restated - Note 2)	<u>21,051,203</u>	<u>8,267,000</u>	<u>491,875</u>	<u>29,810,078</u>	<u>21,947,386</u>	<u>5,296,854</u>	<u>491,875</u>	<u>27,736,115</u>
Net assets, end of year	<u>\$ 29,992,887</u>	<u>\$ 3,721,054</u>	<u>\$ 491,875</u>	<u>\$ 34,205,816</u>	<u>\$ 21,051,203</u>	<u>\$ 8,267,000</u>	<u>\$ 491,875</u>	<u>\$ 29,810,078</u>

See accompanying notes to consolidated financial statements.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Consolidated Statements of Cash Flows Years Ended December 31, 2009 and 2008

	2009	2008 (Restated)
Cash flows from operating activities:		
Change in net assets	\$ 4,395,738	\$ 2,073,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	151,974	80,911
Loss on disposal of property and equipment	3,697	-
Change in fair value of beneficial interest held in trusts	-	130,000
Net realized and unrealized (gain) loss on investments	(1,477,905)	4,481,654
Investments received as contributions	(91,375)	(274,564)
Changes in operating assets and liabilities:		
Pledges receivable	1,587,585	(856,726)
Prepaid expenses and other assets	19,418	(23,894)
Accounts payable and accrued liabilities	(1,294,382)	205,016
Deferred revenue	(62,000)	41,095
	3,232,750	5,857,455
Cash flows from investing activities:		
Purchases of property and equipment	(12,858,603)	(2,069,299)
Purchase of investments	(1,989,883)	(3,516,071)
Proceeds from sale of investments	3,803,963	5,534,508
	(11,044,523)	(50,862)
Increase (decrease) in cash and cash equivalents	(7,811,773)	5,806,593
Cash and cash equivalents, beginning of year	12,244,417	6,437,824
Cash and cash equivalents, end of year	\$ 4,432,644	\$ 12,244,417
Supplemental schedule of noncash activity:		
Property and equipment purchased with accounts payable	\$ 1,607,003	\$ 1,076,709

See accompanying notes to consolidated financial statements.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Consolidated Statements of Functional Expenses
Years Ended December 31, 2009 and 2008

	2009				2008			
	Program services	Fundraising	Management and general	Total	Program services	Fundraising	Management and general	Total
Salaries	\$ 542,416	\$ 196,371	\$ 61,057	\$ 799,844	\$ 434,771	\$ 205,016	\$ 60,738	\$ 700,525
Employee health and retirement benefits	74,565	26,897	8,499	109,961	66,572	31,226	9,349	107,147
Payroll taxes	39,298	14,176	4,479	57,953	31,163	14,617	4,376	50,156
Total employee compensation	656,279	237,444	74,035	967,758	532,506	250,859	74,463	857,828
Professional fees and services	81,196	64,070	56,438	201,704	62,969	137,295	59,753	260,017
Transportation	6,527	1,990	173	8,690	9,363	360	172	9,895
Family programs	11,328	-	-	11,328	2,950	-	-	2,950
Conferences, conventions and continuing education	5,518	502	502	6,522	12,873	-	3,784	16,657
Events and programs	40,243	695,122	2,923	738,288	19,637	422,171	2,045	443,853
Household supplies	76,694	-	631	77,325	81,322	-	138	81,460
Insurance	44,762	3,145	433	48,340	20,400	3,049	458	23,907
Repairs and maintenance	42,564	334	-	42,898	46,628	-	-	46,628
Office supplies	11,773	12,188	1,325	25,286	10,757	1,737	1,135	13,629
Printing	6,717	40,532	752	48,001	23,278	42,749	1,755	67,782
Equipment rental	4,657	16,247	852	21,756	6,842	20,813	1,369	29,024
Facility rent	160,034	-	-	160,034	158,667	667	667	160,001
Postage	8,017	13,502	926	22,445	11,225	20,828	1,312	33,365
Bad debt expense	-	-	-	-	-	32,003	-	32,003
Travel expense	-	118	-	118	1,963	1,632	401	3,996
Utilities	75,856	4,254	93	80,203	81,761	189	95	82,045
Miscellaneous	3,337	17,346	6,787	27,470	13,830	5,663	795	20,288
Total operating expenses	1,235,502	1,106,794	145,870	2,488,166	1,096,971	940,015	148,342	2,185,328
Loss on disposal of property and equipment	3,697	-	-	3,697	-	-	-	-
Depreciation	79,650	70,229	2,096	151,975	12,813	67,656	442	80,911
	<u>\$ 1,318,849</u>	<u>\$ 1,177,023</u>	<u>\$ 147,966</u>	<u>\$ 2,643,838</u>	<u>\$ 1,109,784</u>	<u>\$ 1,007,671</u>	<u>\$ 148,784</u>	<u>\$ 2,266,239</u>

See accompanying notes to consolidated financial statements.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Ronald McDonald House of Dallas, Inc. (RMHD) was incorporated in the state of Texas on June 5, 1978, as a nonprofit organization. RMHD provides a home-away-from-home for families of seriously ill children through the age of 18 who are undergoing treatment at area hospitals. RMHD is primarily supported by contributions from the general public.

Ronald McDonald House of Dallas Endowment Foundation (EF) is a nonprofit organization established December 9, 1998, to support and benefit RMHD by investing and managing gifts, grants, contributions, and bequests intended to benefit the long-term goals of RMHD, and by holding, managing, and investing an endowment fund for RMHD. Under EF's Articles of Incorporation and Bylaws, RMHD's Board of Directors has the authority to elect a simple majority of EF's trustees. Notwithstanding this relationship, EF is not required by its Articles or Bylaws to make annual grants or distributions to RMHD.

Ronald McDonald House of Dallas Family Assistance Foundation (FAF) is a nonprofit organization established December 9, 1998, to support and benefit RMHD and its families by owning, maintaining, repairing, and improving the house facility, as well as maintaining an assistance fund to benefit the needs of these families. Under FAF's Articles of Incorporation and Bylaws, RMHD's Board of Directors has the authority to elect a simple majority of FAF's trustees. Notwithstanding this relationship, FAF is not required by its Articles or Bylaws to make annual grants or distributions to RMHD.

Basis of presentation

The accompanying consolidated financial statements include the accounts of RMHD, EF, and FAF (collectively, the Organization) and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). All significant intercompany transactions and balances have been eliminated in consolidation.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Basis of presentation - continued

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets of the Organization are classified and reported as follows:

- Unrestricted net assets - net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may be, or will be, met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions, investment gains and losses, and other assets limited to specific uses by donor-imposed restrictions are reported as temporarily restricted net assets even if the restrictions are met in the same period the contributions, investment gains and losses, and other assets are recognized.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations to be maintained in perpetuity by the Organization.

Cash equivalents

The Organization considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash equivalents at December 31, 2009 and 2008, consisted of investments in certificates of deposit.

Pledges receivable/allowance for doubtful accounts

The Organization maintains receivables due from various contributors. The allowance for doubtful accounts is established through a provision for bad debts charged to expense and represents management's best estimate of possible losses that may occur within the pledges receivable portfolio; however, its establishment involves an element of uncertainty and future events may cause significant fluctuations. Allocations of allowance may be made for specific pledges receivable, but the entire allowance is available for any receivable that, in management's judgment, should be written off.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Pledges receivable/allowance for doubtful accounts - continued

There were no estimated losses charged to bad debt expense for the year ended December 31, 2009. Estimated losses for bad debts were provided for in the consolidated financial statements through a charge to expense of approximately \$32,000 during the year ended December 31, 2008. The Organization wrote off \$9,500 against the allowance for doubtful accounts during the year ended December 31, 2009. There were no bad debt write offs during the year ended December 31, 2008.

Endowment funds

On January 1, 2009, the Organization adopted Financial Accounting Standards Board (FASB) guidance for net asset classification of endowment funds, subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and enhanced disclosures for all endowment funds. A not-for-profit organization that is subject to an enacted version of UPMIFA shall classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets. The amount classified as permanently restricted shall be the amount of the fund that must be retained permanently in accordance with explicit donor stipulations, or that in the absence of such stipulations, the organization's governing board determines must be retained (preserved) permanently consistent with the relevant law. The Organization is subject to the version of UPMIFA enacted by the state of Texas (See Note 9). The adoption did not have a material impact on the Organization's consolidated financial statements except for disclosures.

Investments and income recognition

Investments in marketable equity securities and debt securities are reported at their fair value in the consolidated statements of financial position (See Note 3). Unrealized gains and losses and investment income are included in the consolidated statements of activities as changes in unrestricted net assets. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Split interest agreements

The Organization accepts gifts subject to split interest agreements. These gifts are generally in the form of externally managed charitable remainder annuity trusts (CRATs) and charitable remainder unitrusts (CRUTs). At the time the trust is determined to be irrevocable, the beneficial interest held in trust is recorded at fair value which constitutes the present value of estimated future cash receipts to be received from the assets of the trust.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Split interest agreements - continued

These trusts are revalued annually and the beneficial interest adjusted accordingly. Funds subject to split interest agreements are classified as temporarily restricted based upon donor designations and the passage of time. See Note 2 relating to management's decision to restate beginning net assets at January 1, 2008, to correct for an unrecorded beneficial interest held in trust.

Contributions

Unconditional promises to give by donors are recorded as pledges receivable and contribution revenue when received or when promises are made, and are immediately available for unrestricted use unless specifically restricted by the donor. Unconditional promises expected to be collected within one year are recorded at net realizable value. Unconditional promises expected to be collected in future years are recorded at their fair values, as determined by management's expectations on the timing of future cash flows and a discount rate of 5%, which management believes is commensurate with the risk involved. The amortization of the discount is reported as a contribution in the statement of activities. See Note 4.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met.

Donated materials and contributed services

Donated materials are recorded in the accompanying consolidated financial statements as contributions revenue with offsetting expenses or capitalized expenditures at their estimated fair value at the date of receipt.

Contributed services are reflected in the consolidated financial statements at the estimated fair value of the services received if they (a) create or enhance nonfinancial assets or (b) require and are provided by individuals with specialized skills and, if not provided by donation, would typically need to be purchased.

During the years ended December 31, 2009 and 2008, the Organization received investments from various donors with an aggregate fair value of approximately \$91,000 and \$275,000, respectively.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Donated materials and contributed services - continued

The Organization received donated materials, equipment, and services for the following purposes for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Capital campaign	\$ 881,389	\$ 18,063
Train exhibit	120,727	152,200
Other	<u>39,355</u>	<u>90,768</u>
	<u>\$ 1,041,471</u>	<u>\$ 261,031</u>

Property and equipment

Property and equipment are carried at cost, if purchased, or fair value at the date of gift, if donated. The Organization capitalizes all donations of and expenditures for property and equipment in excess of \$500. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to income. Repairs and maintenance costs are expensed as incurred. Depreciation of property and equipment is provided on the straight-line method over the following estimated useful lives:

Building	40 years
Furniture and fixtures, playground equipment, and train exhibit	3 - 10 years
Transportation equipment	3 years

Deferred revenue

Receipts and direct expenditures relating to certain events are reported as revenues and expenses in the fiscal year in which the events occur. Cash receipts and billings made in the current fiscal year relating to the next year's events are reported as deferred revenue. At December 31, 2009 and 2008, approximately \$143,000 and \$205,000, respectively, were received and recorded by the Organization as deferred revenue related to the annual Gala and Young Friends events proceeds. Likewise, expenses directly related to those events which are incurred and/or paid in the current fiscal year are recorded as deferred expenses and are included in prepaid expenses and other assets on the consolidated statements of financial position.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Federal income tax

RMHD, EF, and FAF are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent the entities have unrelated business income. None of these entities had taxable unrelated business income during the years ended December 31, 2009 and 2008.

On January 1, 2009, the Organization adopted the FASB guidance for recognition of uncertain tax positions. Interest and penalties related to uncertain tax positions will be recognized in income tax expenses, if applicable. At January 1, 2009 and December 31, 2009, no uncertain tax positions have been identified and therefore, no amounts were recognized during 2009.

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized in the consolidated statements of activities and functional expenses. Accordingly, certain functional costs have been allocated among the programs and supporting services benefited.

Management estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support, and expenses during the reporting periods. Significant estimates made in preparing the financial statements include the fair value of investments, allocation of functional expenses, fair value of contributions to be received over a period in excess of one year, valuation allowance for the pledges receivable, and fair value of beneficial interest held in trust. Accordingly, actual results may vary from management's estimates.

Concentrations of credit risk

Financial instruments exposed to concentrations of credit risk consisted primarily of cash, cash equivalents, pledges receivable, and investments. The Organization maintains cash in excess of federally insured limits in financial institutions which management considers being of high credit quality. The Organization did not incur and does not anticipate incurring losses related to these balances. Pledges receivable at December 31, 2009, include two individual pledges which approximate 20% and 13% of the outstanding balance.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1 - Organization and Summary of Significant Accounting Policies - (Continued)

Concentrations of credit risk - continued

Pledges receivable at December 31, 2008, include three individual pledges which approximate 18%, 17%, and 13% of the outstanding balance. During the year ended December 31, 2009, the Organization received contributions from two donors which amount to approximately 14% and 11% of total contributions. During the year ended December 31, 2008, the Organization received contributions from three donors which amount to approximately 13%, 10%, and 10% of total contributions.

The Organization has a formal investment policy of placing investments in high-quality financial institutions and limiting the size of any investment with any single entity or type of investment. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term which could materially affect the Organization's investment balances.

Reclassifications

Certain 2008 financial statement amounts have been reclassified to conform to the 2009 financial statement presentations.

Note 2 - Restatement

Beginning net assets at January 1, 2008, have been restated by \$994,000 to reflect a previously unrecorded beneficial interest held in trust. In 1999, the Organization unintentionally failed to record the beneficial interest held in trust when it became aware of such gift and the gift was determined to be irrevocable. The beneficial interest held in trust was revalued at December 31, 2008, and a change in fair value of \$130,000 was recorded as a reduction to the change in net assets for the year then ended. There was no significant change in the estimated value of the beneficial interest held in trust at December 31, 2009.

During the year ended December 31, 2009, the Organization recorded contribution receipts of \$150,000 and a pledge receivable of \$50,000, all of which should have been recorded as a pledge receivable in 2008. Therefore, the 2008 financial statements have been restated to reflect an increase in pledges receivable and contributions in the amount of \$200,000 as of and for the year ended December 31, 2008.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 3 - Fair Value Measurements

Effective January 1, 2008, the Organization adopted FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, for investments, pledges receivable, and beneficial interests held in trusts, which did not have a material impact on the Organization's consolidated financial statements except for disclosures.

FASB ASC Topic 820 establishes a common definition for fair value, provides a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. FASB ASC Topic 820 defines fair value as the price that would be received to sell the financial asset or paid to transfer the financial liability in an orderly transaction between market participants at the measurement date. It establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value.

The following are the levels of hierarchy and a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are based on observable market data. These include: quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable markets.
- Level 3 - Developed from unobservable data, reflecting the Organization's best information available under the circumstances.

When quoted prices in active markets for identical assets are available, these quoted market prices are used to determine the fair value of financial assets and classify these assets as Level 1. In other cases where a quoted market price for identical assets in an active market is either not available or not observable, fair value is estimated using valuation methodologies based on available and observable market information or a matrix pricing model. These financial assets would then be classified as Level 2. If quoted market prices are not available, fair value is determined using broker quotes or an internal analysis of each investment's financial performance and cash flow projections. In these instances, financial assets will be classified based upon the lowest level of input that is significant to the valuation. Thus, financial assets may be classified in Level 3 even though there may be some significant inputs that may be readily available.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 3 - Fair Value Measurements - (Continued)

The following schedule summarizes the fair values of assets measured on a recurring basis as of December 31, 2009:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Other				
Pledges				
receivable	\$ 2,845,054	\$ -	\$ -	\$ 2,845,054
Beneficial				
interests				
held in trusts	<u>864,000</u>	<u>-</u>	<u>-</u>	<u>864,000</u>
Total Other	<u>\$ 3,709,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,709,054</u>
Investments				
Cash	\$ 42,753	\$ 42,753	\$ -	\$ -
Fixed income				
mutual funds	2,832,211	2,832,211	-	-
Domestic				
common				
stocks	2,341,747	2,341,747	-	-
International				
equity mutual				
funds	1,691,568	1,691,568	-	-
REITs	<u>372,136</u>	<u>372,136</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 7,280,415</u>	<u>\$ 7,280,415</u>	<u>\$ -</u>	<u>\$ -</u>

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 3 - Fair Value Measurements - (Continued)

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for Level 3 pledges receivable is determined by calculating the present value of future cash in-flows as expected to be received using a 5% risk adjusted discount rate. Fair value for Level 3 beneficial interests held in trusts is determined by calculating the present value of future distributions expected to be received using published IRS life expectancy tables and a 3.8% discount rate.

The changes in the balances of Level 3 financial assets were as follows for the year ended December 31, 2009:

Pledges receivable:	
Beginning balance as of January 1, 2009 (Restated)	\$ 4,432,639
New pledges received	832,500
Collections on pledges	(2,453,268)
Pledges written off	(9,500)
Change in present value of discount	28,566
Change in allowance for uncollectibles	<u>14,117</u>
Ending balance as of December 31, 2009	<u>\$ 2,845,054</u>

There was no change in the fair value of Level 3 beneficial interest held in trust for the year ended December 31, 2009.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 4 - Pledges Receivable

The pledges receivable at December 31, 2009 and 2008, are expected to be realized in the following periods:

	<u>2009</u>	<u>2008</u> (Restated)
In one year or less	\$ 929,700	\$ 2,085,170
Between one year and five years	<u>2,258,654</u>	<u>2,733,452</u>
	3,188,354	4,818,622
Less:		
Allowance for uncollectible pledges	161,918	176,035
Discount, at 5%	<u>181,382</u>	<u>209,948</u>
	<u>\$ 2,845,054</u>	<u>\$ 4,432,639</u>

Note 5 - Investments

The following schedule summarizes the fair value of investments as of December 31:

	<u>2009</u>	<u>2008</u>
Cash	\$ 42,753	\$ 361,681
Fixed income mutual funds	2,832,211	2,672,590
Domestic common stocks	2,341,747	2,290,345
International equity mutual funds	1,691,568	1,516,369
REITs	<u>372,136</u>	<u>684,230</u>
	<u>\$ 7,280,415</u>	<u>\$ 7,525,215</u>

During the years ended December 31, 2009 and 2008, approximately \$1,900,000 and \$2,000,000 in investments were sold and the proceeds converted to cash to be used for the construction of the New House.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 5 - Investments - (Continued)

The following schedule summarizes the investment returns and classifications in the consolidated statements of activities for the years ended December 31:

	2009	2008
Interest and dividends	\$ 312,090	\$ 509,670
Net realized and unrealized gains (losses)	1,477,905	(4,481,654)
Investment fees (shown within professional fees on the statement of functional expenses)	(45,080)	(48,491)
Total net investment income (loss)	\$ 1,744,915	\$ (4,020,475)

Note 6 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2009	2008
Land	\$ 2,547,147	\$ 2,547,147
Building	16,628,965	-
Furniture and fixtures	1,319,369	55,135
Train exhibit	348,416	348,416
Construction in progress	-	3,441,906
	20,843,897	6,392,604
Less accumulated depreciation	276,495	135,137
	\$ 20,567,402	\$ 6,257,467

Depreciation expense amounted to approximately \$152,000 and \$81,000 for the years ended December 31, 2009 and 2008, respectively.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 7 - Retirement Plan

The Organization has a 401(k) retirement plan which is a defined contribution plan covering substantially all employees. Retirement plan expenses amounted to approximately \$48,000 and \$45,000 for the years ended December 31, 2009 and 2008, respectively.

Note 8 - Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2009</u>	<u>2008</u> (Restated)
Time restricted for use in fiscal year 2009	\$ -	\$ 2,085,170
Time restricted for use in fiscal years 2010 - 2013	2,845,054	2,347,469
Time restricted beneficial interests held in trusts	864,000	864,000
Capital campaign	-	2,970,361
Other	12,000	-
	<u>\$ 3,721,054</u>	<u>\$ 8,267,000</u>

Permanently restricted net assets at December 31, 2009 and 2008, totaled \$491,875 in endowments to be held in perpetuity with the investment income to be used for operating expenses. These investments are invested in a mix of stocks and mutual funds.

Note 9 - Endowment Funds

The Organization's endowment consists of individual endowment funds established for the exclusive purpose of operating for the benefit of the Organization. The endowment includes funds that are both donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted endowment funds represent those funds designated by the Board at the inception of the endowment plus earnings of the permanently restricted fund as designated by the donor.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 9 - Endowment Funds - (Continued)

The Organization interprets the State of Texas UPMIFA as allowing the Organization, absent donor stipulations to the contrary, to appropriate so much of a donor-restricted endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund,
- the purposes of the donor-restricted endowment fund,
- general economic conditions,
- the possible effect of inflation and deflation,
- the expected total return from income and the appreciation of investments, and
- other resources of the Organization

Return objective and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a consistent stream of funding to programs supported by its endowment while seeking to preserve and enhance the purchasing and earning value of the foundation assets. Endowments include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds.

Strategies employed for achieving objectives

Endowment assets are held in an investment portfolio with an active strategic asset allocation strategy. Assets held are well diversified and highly liquid, with the intent to minimize the risk of large losses. Investments are managed in a style-defined manner that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the Portfolio's stated objectives.

Spending policy and how the investment objective relate to spending policy

Currently, the spending policy is at the rate of 3.5% of the average value of the assets over the previous 16 rolling quarters. This allows time for the proposed distributions to be used in the budgeting process. The spending policy has been created to preserve the purchasing power of the endowment assets. Other funds may be appropriated as deemed necessary by the Organization's Board from time to time.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 9 - Endowment Funds - (Continued)

Funds with deficiencies

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 the Organization to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2009 and 2008.

Endowment net asset composition by type of fund consists of the following at December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ 186,097	\$ -	\$ 491,875	\$ 677,972
Board-designated	<u>6,191,794</u>	<u>-</u>	<u>-</u>	<u>6,191,794</u>
	<u>\$ 6,377,891</u>	<u>\$ -</u>	<u>\$ 491,875</u>	<u>\$ 6,869,766</u>

Changes in endowment net assets for the year ended December 31, 2009, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,702,302	\$ -	\$ 491,875	\$ 7,194,177
Investment income	244,284	-	-	244,284
Net realized and unrealized gain	1,477,905	-	-	1,477,905
Appropriation of assets for expenditure	(2,044,175)	-	-	(2,044,175)
Other changes	<u>(2,425)</u>	<u>-</u>	<u>-</u>	<u>(2,425)</u>
Endowment net assets, end of year	<u>\$ 6,377,891</u>	<u>\$ -</u>	<u>\$ 491,875</u>	<u>\$ 6,869,766</u>

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 9 - Endowment Funds - (Continued)

Endowment net asset composition by type of fund consists of the following at December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ 126,108	\$ -	\$ 491,875	\$ 617,983
Board-designated	<u>6,576,194</u>	<u>-</u>	<u>-</u>	<u>6,576,194</u>
	<u>\$ 6,702,032</u>	<u>\$ -</u>	<u>\$ 491,875</u>	<u>\$ 7,194,177</u>

Changes in endowment net assets for the year ended December 31, 2008, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,531,061	\$ -	\$ 491,875	\$ 12,022,936
Investment income	366,170	-	-	366,170
Net realized and unrealized loss	(4,481,654)	-	-	(4,481,654)
Appropriation of assets for expenditure	<u>(713,275)</u>	<u>-</u>	<u>-</u>	<u>(713,275)</u>
Endowment net assets, end of year	<u>\$ 6,702,302</u>	<u>\$ -</u>	<u>\$ 491,875</u>	<u>\$ 7,194,177</u>

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 10 - Related Party Transactions

For the years ended December 31, 2009 and 2008, the Organization received pledges of \$30,000 and \$295,000, respectively, from employees of the Organization, members of the board of the Organization, members of the advisory board of the Organization, and affiliated Ronald McDonald House organizations. These amounts are included in contributions in the consolidated financial statements and consist of pledged amounts related to the Capital Campaign. At December 31, 2009 and 2008, pledges receivable due from related parties were \$268,012 and \$1,713,389, respectively. These amounts are included in pledges receivable in the consolidated financial statements.

During 2009, the Organization received approximately \$36,000 in donated stock from members of the advisory board of the Organization.

Note 11 - Commitments and Contingencies

Leases

The Organization leased its previous location under a non-cancelable operating lease through June 2009. At the end of the original lease term, the Organization extended the lease on a month to month basis through December 31, 2009. Total rent expense was approximately \$160,000 for the years ended December 31, 2009 and 2008.

The Organization currently leases certain office equipment under non-cancelable operating leases. Future minimum lease payments totaling approximately \$8,000 are due through 2013 under these lease agreements.

Note 12 - Relationships with Affiliates

The Board of Trustees of EF adopted a Total Return Policy (the Policy) to guide in the distribution of funds from EF to RMHD. Under the terms of the Policy, EF distributes annually up to, but not more than, 3.5% of the average value of its investment assets to RMHD. If the distribution to RMHD in any particular year is less than 3.5%, the difference will remain available for distribution in subsequent years.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 12 - Relationships with Affiliates - (Continued)

RMHD maintains individual administrative agreements with FAF and EF, wherein RMHD agrees to provide personnel and office facilities for the management of the administrative and business affairs of FAF and EF. In exchange, FAF and EF agree to pay fees to RMHD to be determined by the parties in accordance with procedures set forth in the agreements. The agreements will continue year-to-year until terminated by mutual agreement or with 30-days written notice from any one of the three parties. During 2009 and 2008, no fees were allocated to FAF and EF by RMHD.

Note 13 - Subsequent Events

Management has evaluated subsequent events through August 19, 2010, the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Consolidating Statements of Financial Position
December 31, 2009

	Ronald McDonald House of Dallas, Inc.	Ronald McDonald House of Dallas Endowment Foundation	Ronald McDonald House of Dallas Family Assistance Foundation	Consolidated balance
ASSETS				
Cash and cash equivalents	\$ 1,991,917	\$ 4,934	\$ 2,435,793	\$ 4,432,644
Pledges receivable, net	-	-	2,845,054	2,845,054
Investments, at fair value	677,922	6,602,493	-	7,280,415
Prepaid expenses and other assets	49,120	-	-	49,120
	<u>2,718,959</u>	<u>6,607,427</u>	<u>5,280,847</u>	<u>14,607,233</u>
Intercompany receivable (payable)	348,066	(415,633)	67,567	-
Beneficial interest held in trust	864,000	-	-	864,000
Property and equipment, net	186,313	-	20,381,089	20,567,402
	<u>\$ 4,117,338</u>	<u>\$ 6,191,794</u>	<u>\$ 25,729,503</u>	<u>\$ 36,038,635</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 62,850	\$ -	\$ 1,626,619	\$ 1,689,469
Deferred revenue	143,350	-	-	143,350
	<u>206,200</u>	<u>-</u>	<u>1,626,619</u>	<u>1,832,819</u>
Net assets:				
Unrestricted	2,543,263	6,191,794	21,257,830	29,992,887
Temporarily restricted	876,000	-	2,845,054	3,721,054
Permanently restricted	491,875	-	-	491,875
	<u>3,911,138</u>	<u>6,191,794</u>	<u>24,102,884</u>	<u>34,205,816</u>
Total net assets	<u>\$ 4,117,338</u>	<u>\$ 6,191,794</u>	<u>\$ 25,729,503</u>	<u>\$ 36,038,635</u>

See independent auditors' report.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Consolidating Statements of Financial Position - (Continued)
December 31, 2008 (Restated)

	Ronald McDonald House of Dallas, Inc.	Ronald McDonald House of Dallas Endowment Foundation	Ronald McDonald House of Dallas Family Assistance Foundation	Consolidated balance
ASSETS				
Cash and cash equivalents	\$ 2,173,669	\$ -	\$ 10,070,748	\$ 12,244,417
Pledges receivable, net	-	-	4,432,639	4,432,639
Investments, at fair value	617,983	6,907,232	-	7,525,215
Prepaid expenses and other assets	68,538	-	-	68,538
	<u>2,860,190</u>	<u>6,907,232</u>	<u>14,503,387</u>	<u>24,270,809</u>
Intercompany receivable (payable)	153,035	(331,029)	177,994	-
Beneficial interest held in trust	864,000	-	-	864,000
Property and equipment, net	268,414	-	5,989,053	6,257,467
	<u>\$ 4,145,639</u>	<u>\$ 6,576,203</u>	<u>\$ 20,670,434</u>	<u>\$ 31,392,276</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 46,381	\$ 9	\$ 1,330,458	\$ 1,376,848
Deferred revenue	205,350	-	-	205,350
	251,731	-	1,330,458	1,582,198
Net assets:				
Unrestricted	2,538,033	6,576,194	11,936,976	21,051,203
Temporarily restricted	864,000	-	7,403,000	8,267,000
Permanently restricted	491,875	-	-	491,875
	<u>3,893,908</u>	<u>6,576,194</u>	<u>19,339,976</u>	<u>29,810,078</u>
Total net assets	<u>\$ 4,145,639</u>	<u>\$ 6,576,203</u>	<u>\$ 20,670,434</u>	<u>\$ 31,392,276</u>

See independent auditors' report.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Consolidating Statements of Activities
Year Ended December 31, 2009

	Ronald McDonald House of Dallas, Inc.	Ronald McDonald House of Dallas Endowment Foundation	Ronald McDonald House of Dallas Family Assistance Foundation	Consolidated balance
Revenue and support:				
Public support:				
Contributions	\$ 722,581	\$ -	\$ 2,998,574	\$ 3,721,155
Special events	1,395,023	-	-	1,395,023
	<u>2,117,604</u>	<u>-</u>	<u>2,998,574</u>	<u>5,116,178</u>
Other revenue:				
Program service fees	133,403	-	-	133,403
Interest and dividends	26,196	224,800	61,094	312,090
Intercompany distributions	(5,998)	(1,903,502)	1,909,500	-
Net realized and unrealized gain on investments	132,430	1,345,475	-	1,477,905
	<u>286,031</u>	<u>(333,227)</u>	<u>1,970,594</u>	<u>1,923,398</u>
Total revenue and support	2,403,635	(333,227)	4,969,168	7,039,576
Expenses:				
Program services	1,163,375	19,943	135,531	1,318,849
Fundraising	1,106,502	12,420	58,101	1,177,023
Management and general	116,528	18,810	12,628	147,966
Total expenses	<u>2,386,405</u>	<u>51,173</u>	<u>206,260</u>	<u>2,643,838</u>
Change in net assets	17,230	(384,400)	4,762,908	4,395,738
Net assets, beginning of year (Restated - Note 2)	<u>3,893,908</u>	<u>6,576,194</u>	<u>19,339,976</u>	<u>29,810,078</u>
Net assets, end of year	<u>\$ 3,911,138</u>	<u>\$ 6,191,794</u>	<u>\$ 24,102,884</u>	<u>\$ 34,205,816</u>

See independent auditors' report.

RONALD MCDONALD HOUSE OF DALLAS, INC. AND AFFILIATES

Consolidating Statements of Activities - (Continued)
Year Ended December 31, 2008 (Restated)

	Ronald McDonald House of Dallas, Inc.	Ronald McDonald House of Dallas Endowment Foundation	Ronald McDonald House of Dallas Family Assistance Foundation	Consolidated balance
Revenue and support:				
Public support:				
Contributions	\$ 564,693	\$ -	\$ 6,343,359	\$ 6,908,052
Special events	1,411,510	-	-	1,411,510
	<u>1,976,203</u>	<u>-</u>	<u>6,343,359</u>	<u>8,319,562</u>
Other revenue:				
Program service fees	122,624	-	-	122,624
Interest and dividends	53,666	335,412	120,592	509,670
Intercompany distributions	(1,614,000)	(421,000)	2,035,000	-
Change in fair value of beneficial interest held in trust	(130,000)	-	-	(130,000)
Net realized and unrealized loss on investments	(376,724)	(4,104,930)	-	(4,481,654)
	<u>(1,944,434)</u>	<u>(4,190,518)</u>	<u>2,155,592</u>	<u>(3,979,360)</u>
Total revenue and support	31,769	(4,190,518)	8,498,951	4,340,202
Expenses:				
Program services	1,057,338	26,049	26,397	1,109,784
Fundraising	852,622	17,412	137,637	1,007,671
Management and general	115,379	28,181	5,224	148,784
	<u>2,025,339</u>	<u>71,642</u>	<u>169,258</u>	<u>2,266,239</u>
Change in net assets	(1,993,570)	(4,262,160)	8,329,693	2,073,963
Net assets, beginning of year (Restated - Note 2)	5,887,478	10,838,354	11,010,283	27,736,115
Net assets, end of year	\$ <u>3,893,908</u>	\$ <u>6,576,194</u>	\$ <u>19,339,976</u>	\$ <u>29,810,078</u>

See independent auditors' report.