Ronald McDonald House Charities San Diego

FINANCIAL STATEMENTS

DECEMBER 31, 2021

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
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Independent Auditor's Report

To the Board of Trustees and Audit Committee
Ronald McDonald House Charities of San Diego, Inc.

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of San Diego, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 2021 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of San Diego, Inc. as of December 31, 2021, 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.

Prior Period Financial Statements

The financial statements of Ronald McDonald House Charities of San Diego, Inc. as of December 31, 2020 were audited by other auditors whose report dated August 12, 2021 expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of San Diego, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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 Charities of San Diego, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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To the Board of Trustees and Audit Committee
Ronald McDonald House Charities of San Diego, Inc.

Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Charities of San Diego, Inc.'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 Charities of San Diego, Inc.'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.

Leaf & Cole LLP

San Diego, California
June 8, 2022

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)

ASSETS

	2021	2020
Assets: (Notes 2, 4, 5, 6, 7 and 8)		
Cash and cash equivalents	$ 3,324,722	$ 2,773,063
Investments	19,721,682	14,056,171
Contributions receivable, net	99,205	179,407
In-kind and other receivables	2,147,823	2,324,355
Prepaid expenses and other assets	242,094	432,644
Property and equipment, net	20,439,219	21,229,808
TOTAL ASSETS	$ 45,974,745	$ 40,995,448

LIABILITIES AND NET ASSETS

	2021	2020
Liabilities: (Notes 2, 8 and 16)		
Accounts payable and accrued expenses	$ 415,415	$ 535,898
Deferred revenue	42,130	209,424
Payroll protection program loan	-	576,492
Note payable	7,003,941	7,929,890
Total Liabilities	7,461,486	9,251,704
Commitments and contingencies (Notes 9, 15 and 16)		
Net Assets: (Notes 2, 10, 11 and 12)		
Without Donor Restrictions:		
Undesignated	25,000,706	20,261,328
Board designated reserve fund	3,141,039	2,367,446
Board designated endowment	1,404,942	590,951
Total Net Assets Without Donor Restrictions	29,546,687	23,219,725
With Donor Restrictions:		
Purpose restriction	2,502,018	2,713,316
Perpetual in nature	6,464,554	5,810,703
Total Net Assets With Donor Restrictions	8,966,572	8,524,019
Total Net Assets	38,513,259	31,743,744
TOTAL LIABILITIES AND NET ASSETS	$ 45,974,745	$ 40,995,448

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenue and Support:				
Special events, net of direct expenses of $2,067,102 and $2,108,87 for 2021 and 2020, respectively)	$ 5,669,148	$ -	$ 5,669,148	$ 4,497,315
Contributions	2,998,158	1,420,436	4,418,594	3,167,434
Investment income	1,520,248	844,466	2,364,714	1,378,319
Grants	1,661,296	56,091	1,717,387	36,323
In-kind contributions	749,844	124,856	874,700	3,321,812
Program revenue	336,413	21,746	358,159	372,833
Gain on disposal of property and equipment	5,006	-	5,006	-
Net assets released from restrictions	2,025,042	(2,025,042)	-	-
Total Revenue and Support	14,965,155	442,553	15,407,708	12,774,036
Expenses:				
Program services	4,364,473	-	4,364,473	4,504,126
Supporting Services:				
Management and general	858,288	-	858,288	661,942
Fundraising	3,415,432	-	3,415,432	3,313,335
Total Supporting Services	4,273,720	-	4,273,720	3,975,277
Total Expenses	8,638,193	-	8,638,193	8,479,403
Change in Net Assets	6,326,962	442,553	6,769,515	4,294,633
Net Assets at Beginning of the Year	23,219,725	8,524,019	31,743,744	27,449,111
NET ASSETS AT END OF YEAR	$ 29,546,687	$ 8,966,572	$ 38,513,259	$ 31,743,744

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Program House Operations	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	2021	2020
Salaries and payroll taxes	$ 1,577,460	$ 488,363	$ 1,078,649	$ 1,567,012	$ 3,144,472	$ 2,977,088
Depreciation	1,011,277	3,964	31,280	35,244	1,046,521	1,035,640
Donated goods and services	783,282	3,600	223,213	226,813	1,010,095	1,243,958
Advertising and promotion	-	-	524,398	524,398	524,398	525,912
Printing and graphic design	28,979	-	377,176	377,176	406,155	418,072
Legal and professional	875	311,365	47,949	359,314	360,189	246,808
Interest expense	311,836	3,058	5,955	9,013	320,849	266,269
Events	284	308	299,783	300,091	300,375	283,881
Postage and shipping	2,716	1,501	285,114	286,615	289,331	236,803
Outside services	-	-	220,117	220,117	220,117	207,801
Utilities	187,271	6,013	15,986	21,999	209,270	215,321
Supplies	136,510	2,965	48,118	51,083	187,593	201,470
Maintenance and repairs	135,954	10,171	26,179	36,350	172,304	217,454
Merchant fees	2,047	47	163,551	163,598	165,645	134,991
Insurance	102,070	7,517	28,244	35,761	137,831	126,001
Facility and equipment	42,238	7,882	33,256	41,138	83,376	105,896
Miscellaneous	32,535	7,187	90	7,277	39,812	8,824
Travel, Dues and Entertainment	2,633	1,002	8,277	9,279	11,912	9,778
Employee/volunteer development	6,176	1,048	597	1,645	7,821	10,249
Taxes and other corporate expenses	330	2,297	-	2,297	2,627	701
Scholarships and education	-	-	-	-	-	816
Bad debt expense (recovery)	-	-	(2,500)	(2,500)	(2,500)	5,670
TOTAL EXPENSES	$ 4,364,473	$ 858,288	$ 3,415,432	$ 4,273,720	$ 8,638,193	$ 8,479,403

The accompanying notes are an integral part of the financial statements.

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	$ 6,769,515	$ 4,294,633
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,046,521	1,035,640
Amortization of debt issuance costs	569	569
Net realized and unrealized gain on investments	(2,153,396)	(1,216,964)
Gain on disposal of property and equipment	(5,006)	-
In-kind contributions of investments	(12,539)	(47,803)
Forgiveness of payroll protection program loan	(576,492)	-
Bad debt expense (recovery)	(2,500)	5,670
(Increase) Decrease in:		
Accounts and contributions receivables, net	182,956	223,622
In-kind and other receivables	176,532	(1,720,828)
Prepaid expenses and other assets	90,296	(97,855)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(120,483)	181,484
Deferred revenue	(167,294)	-
Net Cash Provided by Operating Activities	5,228,679	2,658,168
Cash Flows From Investing Activities:		
Purchase of investments, net	(8,676,785)	(3,137,716)
Proceeds from sales of maturities and investments	5,177,209	2,935,366
Purchase of property and equipment	(250,926)	(503,385)
Net Cash Used in Investing Activities	(3,750,502)	(705,735)
Cash Flows From Financing Activities:		
Proceeds from Payroll Protection Program loan	-	576,492
Payments on note payable	(926,518)	(667,292)
Net Cash Used in Financing Activities	(926,518)	(90,800)
Net Increase in Cash and Cash Equivalents	551,659	1,861,633
Cash and Cash Equivalents at Beginning of Year	2,773,063	911,430
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,324,722	$ 2,773,063
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 320,280	$ 266,269
Income tax paid	$ 2,237	$ 250
In-kind contributions of goods and services	$ 874,700	$ 3,321,812

The accompanying notes are an integral part of the financial statements.

Note 1 - Organization:

Ronald McDonald House Charities of San Diego, Inc. (the "Organization") is a not-for-profit corporation organized in California in 1978. The Organization's mission is to provide comfort, strength, and stability by offering a "home-away-from-home" for families with children being treated for serious, often life-threatening conditions at local San Diego hospitals. The Organization operates a 48-bedroom Ronald McDonald House (the "House"), which was completed in 2009, and replaced the 12-bedroom original house (the "North House"). In July 2017, the Organization reopened the North House, adding 8 additional guest rooms for families with children at local hospitals.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflects all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Estimates

The preparation of a financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the investment.

The Organization's statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual and exchange traded funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful contributions receivable totaled $0 and $5,370 at December 31, 2021 and 2020, respectively.

Capitalization and Depreciation

The Organization capitalizes expenditures in excess of $2,500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. 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.

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

	Estimated Life
Buildings	39 years
Leasehold improvements	5 - 40 years
Internally developed software	7 years
Furniture and fixtures	2 - 20 years
Machinery and equipment	3 - 15 years
Vehicles	5 - 7 years

The Organization capitalizes costs incurred during the application development stage related to internally developed software. Once the capitalization criteria have been met, the Organization capitalizes costs paid to vendors under development contracts. The cost of minor enhancements or maintenance to the software is expensed as incurred. Amortization of capitalized costs begins when the software is ready for its intended use. Capitalized cost totaled $457,867 and $422,867 at December 31, 2021 and 2020, respectively.

Depreciation totaled $1,046,521 and $1,035,640 for the years ended December 31, 2021 and 2020, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property, furniture, or equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Impairment of Long-Lived Assets

The Organization reviews its investment in long-lived assets for impairment whenever events and changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to the estimated proceeds from the eventual disposition of the assets. If assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of assets exceeds the fair value of such property. There were no impairment losses recognized in 2021 and 2020.

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain financing for the Organization. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized deferred financing costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and totaled $569 for each of the years ended December 31, 2021 and 2020.

Compensated Absences

Accumulated unpaid vacation totaling $144,392 and $142,768 at December 31, 2021 and 2020, respectively, is accrued when earned, and included in accounts payable and accrued expenses.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Special event revenue is recognized in the period that the event occurs. Deferred special event revenue totaled $0 and $131,203 at December 31, 2021 and 2020, respectively.

Program revenue is recognized as performance obligations are satisfied, and any non-refundable portion of the contract is recorded as revenue upon receipt. Deferred program revenue totaled $42,130 and $78,221 at December 31, 2021 and 2020, respectively.

Donated Space, Food and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended December 31, 2021 and 2020 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

The Organization received donated space from Rady's Children Hospital. Donated facilities are recorded at fair value and totaled $976 and $1,895,186 for each of the years ended December 31, 2021 and 2020 and have been included in in-kind contributions and expense.

The Organization received in-kind donations of food and materials totaling $873,724 and $1,426,626 for the years ended December 31, 2021 and 2020, respectively, which have been recorded as in-kind contributions and expense.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense totaled $524,398 and $525,912 for the years ended December 31, 2021 and 2020, respectively which are included in advertising and promotional expense.

Note 2 - Significant Accounting Policies: (Continued)

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of head count, space utilized, and estimates made by the Organization's management.

Income Taxes

The Organization is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. 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. The Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the years ended December 31, 2021, 2020, 2019, and 2018 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization's revenue activity is derived from individual, corporate, and foundation contributions. Approximately 31% and 30% of total unrestricted support and revenue was derived from a single special event for the years ended December 31, 2021 and 2020, respectively. This event, which is conducted annually, is regulated. Changes in regulations, administrative or legal actions, or changes in event procedures which occur from time to time, could have an impact on event revenues and expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. 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, and such changes could materially affect the amounts reported in the statement of financial position.

Note 2 - Significant Accounting Policies: (Continued)

Comparative Totals for December 31, 2020

The financial statements include certain prior year summarized comparative information in total but not by net asset class. This summarized information is for comparative purposes only, and accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized comparative information was derived.

Subsequent Events

The Organization has evaluated subsequent events through June 8, 2022, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Reclassification

The Organization has reclassified certain prior year information to conform with the current year presentation.

Note 3 - Liquidity and Availability

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at December 31, 2021:

Cash and cash equivalents	$ 3,324,722
Contributions and accounts receivable, net	192,386
Investments, at fair value	19,721,682
Total financial assets available within one year	23,238,790
Less those unavailable for general expenditure within one year due to:	
Restricted by donor with time or purpose restrictions	(8,966,572)
Funds reserved for maintenance of facilities by Board	(3,141,039)
Board-designated endowment	(1,404,942)
Financial assets available to meet cash needs for general expenditures within one year	$ 9,726,237

Income generated by the donor restricted and Board designated funds during the year is available for the payment of general expenditures. As part of the organization's liquidity management, the Organization prepares monthly cash requirement projections which are used to ensure that needed balances are liquid and available for payment of general expenses and loan balances due.

The Organization employs a detailed annual budgeting process to ensure that the Organization holds no less than one year of its future cash flow needs, as well as a minimum of six months of total cash expenses plus debt principal, available in its unrestricted and unreserved cash accounts for the upcoming five fiscal years. As of the balance sheet date and as of the date of this audit report, the Organization held sufficient liquid resources to meet both requirements.

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31:

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
Mutual funds / exchange trade funds:				
Equity - large cap domestic	$ 8,708,507	$ -	$ -	$ 8,708,507
Equity - mid-cap domestic	1,621,643	-	-	1,621,643
Equity - small domestic	1,481,265	-	-	1,481,265
Equity - international	1,332,692	-	-	1,332,692
Equity - emerging markets	818,988	-	-	818,988
Equity - hedge fund	1,083,893	-	-	1,083,893
Fixed income - domestic	4,674,694	-	-	4,674,694
	$ 19,721,682	$ -	$ -	$ 19,721,682

	2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
Mutual funds / exchange trade funds:				
Equity - large cap domestic	$ 5,033,567	$ -	$ -	$ 5,033,567
Equity - mid-cap domestic	1,502,825	-	-	1,502,825
Equity - small domestic	1,151,657	-	-	1,151,657
Equity - international	1,399,070	-	-	1,399,070
Equity - emerging markets	1,011,902	-	-	1,011,902
Equity - hedge fund	456,307	-	-	456,307
Fixed income - domestic	3,500,843	-	-	3,500,843
	$ 14,056,171	$ -	$ -	$ 14,056,171

Note 5 - Investments:

Investments consist of the following at December 31:

	2021	2020
Mutual funds / exchange trade funds	$ 19,721,682	$ 14,056,171
Total Investments	$ 19,721,682	$ 14,056,171

The following schedule summarizes the investment income for the years ended December 31:

	2021	2020
Investment income	$ 296,622	$ 219,201
Realized gain on investments, net	864,282	308,790
Unrealized gain on investments, net	1,289,118	908,174
Investment fees	(85,308)	(57,846)
Total Investment Income	$ 2,364,714	$ 1,378,319

Note 6 - Contributions Receivable:

Contributions receivable consist of the following at December 31:

	2021	2020
Contributions receivable – due in less than one year	$ 99,205	$ 184,777
Less: Allowance for uncollectible receivables	-	(5,370)
Total Contributions Receivable, Net	$ 99,205	$ 179,407

Note 7 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2021	2020
Buildings	$ 25,285,239	$ 25,285,239
Leasehold improvements	3,488,289	3,331,735
Internally developed software	457,867	442,867
Furniture and fixtures	631,273	644,473
Machinery and equipment	241,970	210,815
Vehicles	125,635	132,712
Subtotal	30,230,273	30,047,841
Less: Accumulated Depreciation	(9,791,054)	(8,818,033)
Property and Equipment, Net	$ 20,439,219	$ 21,229,808

Note 8 - Note Payable:

The Organization had a note payable to a bank in the original amount of $14,200,000 with initial monthly principal and interest payments of $83,153, bearing interest at the fixed rate of 4.95% through October 2023. After the initial 10-year period, the interest rate would have reset to the 10-year Treasury Constant Maturity rate in effect at that time, plus 2.40%. Monthly principal and interest payments were calculated over a 25-year amortization period, and was payable through October 2033, at which time all unpaid principal and interest remaining on the note would have been due. The note was secured by a deed of trust and included a pre-payment penalty provision subject to the terms of the loan agreement.

On March 2, 2018, the Organization refinanced the original amount of the $14,200,000 note payable by issuing a new note payable to a bank in the original amount of $10,123,820 with initial monthly principal and interest payments of $104,105 commencing on April 1, 2018, bearing interest at the fixed rate of 4.25% through March 1, 2028, when all unpaid principal and interest at that time will become due. The note is secured by inventory, chattel paper, accounts, equipment, and general intangibles, and includes a pre-payment penalty provision subject to the terms of the loan agreement. Concurrent with the refinance, the Organization expensed previously capitalized loan fees associated with the original debt of $34,032. The note payable totaled $7,003,941 and $7,929,890 at December 31, 2021 and 2020, respectively.

The note outstanding on December 31, 2021 is subject to the terms and conditions contained in the loan and security agreement with the bank. The agreement requires the Organization to maintain certain financial and non-financial covenants as defined in the agreement. The Organization was in compliance with all covenants as of December 31, 2021 and 2020.

Debt issuance costs total $5,694, less accumulated amortization of $2,182 and $1,613 at December 31, 2021 and 2020, respectively.

Future principal payments on the note payable are as follows:

Years Ended December 31	
2022	$ 966,266
2023	1,008,735
2024	1,052,478
2025	1,099,329
2026	1,147,646
Thereafter	1,732,999
Total before Unamortized debt issuance costs	7,007,453
Less: Unamortized debt issuance costs	(3,512)
Total	$ 7,003,941

Note 9 - Line-of-Credit

On February 16, 2017, the Organization entered into a revolving line-of-credit agreement with a bank under which the Organization can borrow up to $1,000,000, and bears interest at a rate of LIBOR plus 1.75%. Loans are repayable immediately upon demand by the bank. There was no outstanding balance on the line-of-credit at December 31, 2021 and 2020.

Note 10 - Board-Designated Reserve Fund

The Organization's governing board has designated a portion of its resources without donor restrictions to be used for repairs and maintenance of the House. The board designated reserve fund totaled $3,141,039 and $2,367,446 at December 31, 2021 and 2020, respectively.

Note 11 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions and other inflows received by the Organization, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions are available for the following purposes at December 31:

	2021	2020
Subject to Expenditure for Specified Purpose:		
In-kind rent	$ 2,147,823	$ 2,324,356
Coca-Cola	109,318	118,009
Guest room remodel	52,821	3,024
Education enrichment	47,542	63,117
Guest holiday celebration	42,331	16,047
Meal program	31,027	98,823
House operations emergency	26,711	17,136
Flooring	20,000	-
Pacific Island family stays	10,000	10,000
Vehicle & radios	8,763	-
Beach buddies program	4,965	-
Recycling	688	5,980
Other	29	2,999
Family care center	-	53,825
Total Subject to Expenditure for Specified Purpose	2,502,018	2,713,316
Perpetual in Nature:		
Endowments (Note 12)	6,464,554	5,810,703
Total Net Assets with Donor Restrictions	$ 8,966,572	$ 8,524,019

Note 12 - Endowment Net Assets:

The Organization's endowments consist of two individual funds established by donor restrictions. The endowments also include funds designated by the Board of Trustees to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) 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 donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time 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 of a perpetual nature is classified as donor-restricted net assets with time restrictions, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and 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
- Other resources of the Organization
- The investment policies of the Organization

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has no underwater endowment funds at December 31, 2021 and 2020.

Note 12 - Endowment Net Assets: (Continued)

Endowment net asset composition by type of fund at December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	$ -	$ 6,464,554	$ 6,464,554
Board-designated endowments	1,404,942	-	1,404,942
Total endowments	$ 1,404,942	$ 6,464,554	$ 7,869,496

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	$ -	$ 5,810,703	$ 5,810,703
Board-designated endowments	590,951	-	590,951
Total endowments	$ 590,951	$ 5,810,703	$ 6,401,654

Changes in endowment net assets of the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at December 31, 2019	$ 533,731	$ 5,457,662	$ 5,991,393
Contributions	592	5,000	5,592
Investment income, net	7,239	69,819	77,058
Net realized and unrealized gains	49,389	537,517	586,906
Appropriation of endowment assets for expenditures	-	(259,295)	(259,295)
Balance at December 31, 2020	590,951	5,810,703	6,401,654
Contributions	689,618	217,423	907,041
Investment income, net	12,097	70,795	82,892
Net realized and unrealized gains	112,276	756,249	868,525
Appropriation of endowment assets for expenditures	-	(390,616)	(390,616)
Balance at December 31, 2021	$ 1,404,942	$ 6,464,554	$ 7,869,496

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Finance/Investment Committee of the Board, the endowment assets are invested in a manner that preserves and protects its assets by earning a total return appropriate for each fund's time horizon, liquidity needs, and risk tolerance. The endowment fund consists of equity securities and fixed income securities.

Note 12 - Endowment Net Assets: (Continued)

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization adopted a spending policy which provides a stable spend rate over time. The overall goal for endowment assets is to produce a real (after inflation) average annual rate of return, net of fees, which will provide for a 4% annual spending policy distribution. Actual results during any period may vary from these expectations. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 13 - Joint Costs

The Organization conducts activities that include fundraising appeals as well as program components. These activities include direct mail and other constituent relationship activities. The costs of conducting these joint activities which meet the purpose, audience, and content were $96,030 and $84,500 for the years ended December 31, 2021 and 2020, respectively. They were comprised of the following for the years ended December 31:

	2021	2020
Fundraising	$ 67,221	$ 59,150
Programs service costs	28,809	25,350
Total	$ 96,030	$ 84,500

Note 14 - Related Party Transactions

The Organization is a local chapter of Ronald McDonald House Charities, Inc. ("RMHC, Inc."), an organization that supports a global network of Ronald McDonald Houses and other programs directed at children around the world. The Organization has a license agreement with the McDonald's Corporation for the use of its name and trademarks. This license agreement also includes programmatic guidelines that should be followed. As part of the license agreement, twenty-five percent of the proceeds from certain fundraising events are remitted to RMHC, Inc.

There were no donations made to RMHC, Inc during the years ended December 31, 2021 and 2020.

RMHC, Inc. also makes donations to the Organization throughout the year. These donations totaled $4,000 and $40,000 for the years ended December 31, 2021 and 2020, respectively.

Support received from the board of trustees and management totaled $81,977 and $55,629 for the years ended December 31, 2021 and 2020, respectively. There were no pledged contributions from the board of trustees and management outstanding at December 31, 2021 and 2020.

Note 15 - Retirement Plan

Effective January 1, 2013, the Organization amended and restated its 403(b) plan (the "Plan") covering all employees of the Organization. Employees are eligible to participate in the Plan immediately upon hire. The Plan includes an employer match component for 100% of the first 3% of salary deferrals, plus 50% in excess of 3% of salary deferrals, not to exceed 4% of employee compensation. The Organization made employer matching contributions totaling $66,782 and $63,758 for the years ended December 31, 2021 and 2020, respectively.

Note 16 - Commitments and Contingencies:

Leases

In conjunction with the construction of the House, the Organization entered into a land lease with the landlord with a term of sixty years from the effective date of October 2007. The annual rent payment is $1. The lease provides for two ten-year options to extend. The fair market value of rent has not been included in the accompanying Statement of Activities because the costs required by the Organization to prepare the land for construction exceed the fair market value.

On February 17, 2017, the Organization entered into a lease agreement with Rady Children's Hospital for its North House. The lease was for a 7-year term. On February 28, 2020, the Organization entered into an amendment to this lease, which extended the lease term through February 28, 2034. The annual lease payment remained $1 per year. The annual fair market value of the rent was $177,509 and $174,357 for the years ended December 31, 2021 and 2020, respectively. In-kind rent receivable totaled $2,147,823 and $2,324,355 at December 31, 2021 and 2020, respectively, and is included in in-kind and other receivables.

The Organization rents various pieces of equipment under operating lease agreements extending through July 2027. Equipment rent expense totaled $15,170 for each of the years ended December 31, 2021 and 2020.

The following is a schedule of future minimum lease payments under the leases:

Years Ended December 31	
2022	$ 15,463
2023	15,507
2024	15,507
2025	2,384
2026	1,191
Thereafter	644
	$ 50,696

Note 16 - Commitments and Contingencies: (Continued)

Paycheck Protection Program Loans

In May 2020, the Organization received a loan totaling $576,492 from the U.S. Small Business Administration ("SBA"), under the CARES Act Paycheck Protection Program ("PPP"). The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and matures May 2022. The Organization has recognized $576,492 and $0 as grant revenue for the years ended December 31, 2021 and 2020, respectively. The PPP loan was granted forgiveness on March 11, 2021.

In March 2021, the Organization received another loan totaling $593,955 from the SBA under the PPP. The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and matures March 2026, which is the date of the note. The Organization has recognized $593,955 and $0 as grant revenue for the years ended December 31, 2021 and 2020, respectively. The PPP loan was granted forgiveness on October 6, 2021.

Employee Retention Tax Credits

On June 1, 2021, and on August 27, 2021, the Organization received and recorded as grant revenue $239,214 and $251,635, respectively, for Employee Retention Tax Credits administered by the Internal Revenue Service under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which the Organization used to fund payroll expenses during the first and second quarters in 2021.

On May 6, 2021, the Organization filed for $231,888 of Employee Retention Tax Credits, which the Organization used to fund payroll expenses during the second, third and fourth quarter of 2020. As of the balance sheet date December 31, 2021, the requested funds have not been received. On January 24, 2022, the organization received $27,093 of the requested funds for the fourth quarter of 2020. The funds for the second and third quarters of 2020 have not been received as of the date of this audit report.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad impact on commerce and financial markets around the world. The United States and global markets experienced significant fluctuations in value resulting from uncertainty caused by the pandemic. The Organization's management and its Board Finance Committee is closely monitoring its investment portfolio and its liquidity and is actively working to minimize any negative impact fluctuating markets may have on the Organization's investments. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Organization's donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 17 – Litigation and Regulation

In the normal course of business, the Organization is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any pending claims will not materially affect the operation or the financial position of the Organization.

From time to time, the Organization receives, and timely responds to, requests for information from governmental agencies. It is the opinion of management that providing information to governmental agencies will not lead to legal or administrative actions that would have a material impact to the 2021 financial statements.