Ronald McDonald House Charities
San Diego

FINANCIAL STATEMENTS

DECEMBER 31, 2024

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, 2024, 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 2024 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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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.

Report on Summarized Comparative Information

We have previously audited Ronald McDonald House Charities of San Diego, Inc's 2023 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
August 13, 2025

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2023)

ASSETS

	2024	2023
Assets: (Notes 2, 4, 5, 6, 7, 8 and 16)		
Cash and cash equivalents	$ 4,643,295	$ 3,927,069
Investments	21,578,621	21,537,389
Contributions receivable, net	2,082,579	2,694,818
In-kind and other receivables	1,676,230	1,845,129
Prepaid expenses and other assets	345,567	219,223
Right-of-use assets - operating leases, net	13,580	23,546
Property and equipment, net	24,585,951	19,427,175
TOTAL ASSETS	$ 54,925,823	$ 49,674,349

LIABILITIES AND NET ASSETS

	2024	2023
Liabilities: (Notes 2, 8 and 16)		
Accounts payable and accrued expenses	$ 849,478	$ 794,448
Deferred revenue	20,904	-
Operating lease liability	13,834	23,439
Note payable	3,978,168	5,030,077
Total Liabilities	4,862,384	5,847,964
Commitments and Contingencies (Notes 9, 15, 16 and 17)		
Net Assets: (Notes 2, 10, 11 and 12)		
Without Donor Restrictions:		
Undesignated	31,991,531	26,891,765
Board designated reserve fund	4,197,583	3,473,065
Board designated endowment	3,759,548	2,256,628
Total Net Assets Without Donor Restrictions	39,948,662	32,621,458
With Donor Restrictions:		
Purpose restriction	3,458,533	5,191,500
Perpetual in nature	6,656,244	6,013,427
Total Net Assets With Donor Restrictions	10,114,777	11,204,927
Total Net Assets	50,063,439	43,826,385
TOTAL LIABILITIES AND NET ASSETS	$ 54,925,823	$ 49,674,349

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, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024	2023
Revenue and Support:				
Contributions	$ 3,085,863	$ 5,348,496	$ 8,434,359	$ 7,335,525
Special events, (net of direct expenses of $2,332,819 and $2,260,064 for 2024 and 2023, respectively)	4,689,471	-	4,689,471	4,784,542
Investment income	2,453,689	931,407	3,385,096	2,927,144
In-kind contributions	999,107	535,551	1,534,658	1,235,799
Program and other revenue	369,746	20,745	390,491	402,422
Grants	-	28,492	28,492	65,000
Loss on disposal of property and equipment	(32,946)	-	(32,946)	(6,353)
Net assets released from restrictions	7,954,841	(7,954,841)	-	-
Total Revenue and Support	19,519,771	(1,090,150)	18,429,621	16,744,079
Expenses:				
Program services	5,976,468	-	5,976,468	5,633,528
Supporting Services:				
Management and general	1,061,383	-	1,061,383	890,167
Fundraising	5,154,716	-	5,154,716	4,590,285
Total Supporting Services	6,216,099	-	6,216,099	5,480,452
Total Expenses	12,192,567	-	12,192,567	11,113,980
Change in Net Assets	7,327,204	(1,090,150)	6,237,054	5,630,099
Net Assets at Beginning of the Year	32,621,458	11,204,927	43,826,385	38,196,286
NET ASSETS AT END OF YEAR	$ 39,948,662	$ 10,114,777	$ 50,063,439	$ 43,826,385

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, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2023)

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	2024	2023
Salaries and payroll taxes	$ 2,548,239	$ 622,954	$ 2,130,153	$ 2,753,107	$ 5,301,346	$ 4,662,263
Donated goods and services	1,116,273	2,365	410,663	413,028	1,529,301	1,306,388
Depreciation	1,072,997	3,112	36,728	39,840	1,112,837	1,102,570
Advertising and promotion	-	-	634,245	634,245	634,245	722,650
Professional, consulting and legal	101,418	375,970	155,511	531,481	632,899	454,388
Printing and graphic design	34,180	179	517,644	517,823	552,003	498,767
Utilities	317,427	9,541	34,948	44,489	361,916	403,699
Postage and shipping	3,750	1,109	313,944	315,053	318,803	233,805
Maintenance and repairs	199,695	12,193	47,220	59,413	259,108	224,375
Supplies	186,964	1,741	67,097	68,838	255,802	253,506
Events	5,988	1,162	209,976	211,138	217,126	243,493
Interest expense	189,117	875	3,501	4,376	193,493	237,396
Merchant fees	869	3,963	181,657	185,620	186,489	165,337
Insurance	133,342	5,861	45,621	51,482	184,824	146,370
Outside services	-	-	177,390	177,390	177,390	210,530
Miscellaneous	16,132	3,337	85,756	89,093	105,225	86,821
Facility and equipment	27,660	5,716	23,172	28,888	56,548	67,930
Travel, dues and entertainment	7,791	4,833	39,434	44,267	52,058	45,798
Employee/volunteer development	12,633	972	14,056	15,028	27,661	19,919
Bad debt expense	-	-	26,000	26,000	26,000	11,400
Taxes and other corporate expenses	-	5,500	-	5,500	5,500	10,985
Program expense	1,993	-	-	-	1,993	5,590
TOTAL EXPENSES	$ 5,976,468	$ 1,061,383	$ 5,154,716	$ 6,216,099	$ 12,192,567	$ 11,113,980

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, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2023)

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ 6,237,054	$ 5,630,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,112,837	1,102,570
Amortization of debt issuance costs	569	569
Net realized and unrealized gain on investments	(2,672,866)	(2,332,750)
Loss on disposal of property and equipment	32,946	6,353
In-kind contributions of investments	(29,524)	(35,895)
Bad debt expense	26,000	11,400
Amortization of right-of-use assets – operating leases	9,966	8,871
(Increase) Decrease in:		
Accounts and contributions receivables, net	596,049	(1,925,000)
In-kind and other receivables	168,899	155,219
Prepaid expenses and other assets	(136,154)	(11,788)
Increase (Decrease) in:		
Accounts payable and accrued expenses	55,030	224,113
Deferred revenue	20,904	(30,313)
Operating lease liability	(9,605)	(8,834)
Net Cash Provided by Operating Activities	5,412,105	2,794,614
Cash Flows From Investing Activities:		
Purchase of investments, net	(6,085,895)	(7,339,856)
Proceeds from maturities and sales of investments	8,747,053	6,916,903
Purchase of property and equipment	(6,304,559)	(686,385)
Net Cash Used in Investing Activities	(3,643,401)	(1,109,338)
Cash Flows From Financing Activities:		
Payments on note payable	(1,052,478)	(1,008,736)
Net Cash Used in Financing Activities	(1,052,478)	(1,008,736)
Net Increase in Cash and Cash Equivalents	716,226	676,540
Cash and Cash Equivalents at Beginning of Year	3,927,069	3,250,529
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,643,295	$ 3,927,069
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 192,923	$ 236,826
Income tax paid	$ 5,500	$ 5,300
In-kind contributions of goods and services	$ 1,534,658	$ 1,235,799
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 17,447	$ 15,406

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 49-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. In 2024, the Organization started the construction of an additional 28 rooms at the House which will be ready for guests' occupation in July 2025.

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. The governing board has designated from net assets without donor restrictions, a board-designated endowment.

- 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 include 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 Credit Losses

The Organization recognizes an allowance for credit losses on other receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statement of financial position date, aging reports and historical information. Other receivables are written off when the Organization determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Management believes that all other receivables were fully collectible; therefore, no allowance for credit losses on other receivables were recorded at December 31, 2024 and 2023.

Allowance for Uncollectible Contributions Receivable

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding contributions receivable. The allowance for uncollectible contributions receivable totaled $26,000 and $-0- at December 31, 2024 and 2023, 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 $500,266 and $458,242 at December 31, 2024 and 2023, respectively.

Depreciation totaled $1,112,837 and $1,102,570 for the years ended December 31, 2024 and 2023, 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 2024 and 2023.

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, 2024 and 2023.

Compensated Absences

Accumulated unpaid vacation totaling $173,843 and $171,728 at December 31, 2024 and 2023, 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.

Program and other 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 $20,905 and $-0- at December 31, 2024 and 2023, 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, 2024 and 2023 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

Donated Space, Food and Materials

The Organization received the following contributions of non-financial assets for the year ending December 31:

	2024	2023
Property and Equipment:		
Building and improvements	$ 100,878	$ 2,690
Furniture and office equipment	-	11,000
Total Property and Equipment	100,878	13,690
Revenue:		
Family support and supplies	816,809	480,961
Food	284,731	385,374
Media	175,000	202,449
Auction and event	86,653	49,615
Vehicles for auction	60,550	93,325
Utilities	6,876	6,359
Professional services	2,185	3,050
Rent	976	976
Total Contributed Nonfinancial Assets	$ 1,534,658	$ 1,235,799

Note 2 - Significant Accounting Policies: (Continued)

Donated Space, Food and Materials (Continued)

The organization recognized contributed nonfinancial assets within revenue, including office equipment and supplies, family support and supplies, food, utilities, auction items, media, rent and professional services.

In valuing office equipment and supplies, family support services, and auction items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be receives for selling similar products in the United States.

Contributed rent is for the Organization's 8-bedroom "North House" space which is used to house guest families. In valuing the contributed space, the Organization estimated the fair value on the basis of comparable rental prices in San Diego in the same location where the North House is located. The amount of contributed rent over the remaining lease term is reported as a "promised use of facility" in the accompanying statements of financial position, and the related rent expense is recorded straight line over the life of the lease in the accompanying statements of activities.

Contributed food is recorded based on the number of meals actually served times the value of an average meal per data available in USDA's "What We Eat in America" report for any applicable year.

Contributed household goods and clothing were utilized in the Organization's family programs and in valuing these items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed utilities or utility discounts, such as waste disposal, electricity, gas, internet and telephone are used for general and administrative, fundraising, and programmatic activities. They are valued based on rates as published by the donors.

Professional services as well as media services are used for general and administrative, fundraising, and programmatic activities. They are valued based on rates as published by the donors.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense totaled $634,245 and $722,650 for the years ended December 31, 2024 and 2023, respectively, which are included in advertising and promotion expense.

Functional Allocation of Expenses

The statement of functional expenses presents 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.

Note 2 - Significant Accounting Policies: (Continued)

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, 2024, 2023, 2022 and 2021 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets–operating and lease liability–operating, and finance leases are included in right-of-use ("ROU") assets–financing and lease liability–financing in the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

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 23% and 22% of total unrestricted support and revenue was derived from a single special event for the years ended December 31, 2024, and 2023, 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 statement 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.

Note 2 - Significant Accounting Policies: (Continued)

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.

Comparative Totals for December 31, 2023

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, 2023, from which the summarized comparative information was derived.

Subsequent Events

The Organization has evaluated subsequent events through August 13, 2025, 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.

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:

	2024	2023
Cash and cash equivalents	$ 4,643,295	$ 3,927,069
Contributions and accounts receivable, net	2,200,870	2,759,558
Investments, at fair value	21,578,621	21,537,389
Total financial assets available within one year	28,422,786	28,224,016
Less those unavailable for general expenditure within one year due to:		
Restricted by donor with time or purpose restrictions	(10,114,777)	(11,204,927)
Funds reserved for maintenance of facilities by Board	(4,197,583)	(3,473,065)
Board-designated endowment	(3,759,548)	(2,256,628)
Financial assets available to meet cash needs for general expenditures within one year	$ 10,350,878	$ 11,289,396

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.

Note 3 - Liquidity and Availability: (Continued)

The Organization employs a detailed annual budgeting process to ensure that the Organization holds no less than nine months 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:

	2024			
	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, 2024
Mutual funds / exchange trade funds:				
Equity - large cap domestic	$ 10,585,783	$ -	$ -	$ 10,585,783
Equity - mid-cap domestic	1,794,407	-	-	1,794,407
Equity - small domestic	1,780,716	-	-	1,780,716
Equity - international	1,005,777	-	-	1,005,777
Equity - hedge fund	879,748	-	-	879,748
Fixed income - domestic	5,532,190	-	-	5,532,190
	$ 21,578,621	$ -	$ -	$ 21,578,621

	2023			
	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, 2023
Mutual funds / exchange trade funds:				
Equity - large cap domestic	$ 9,655,921	$ -	$ -	$ 9,655,921
Equity - mid-cap domestic	2,089,340	-	-	2,089,340
Equity - small domestic	2,110,265	-	-	2,110,265
Equity - international	1,158,665	-	-	1,158,665
Equity - hedge fund	915,246	-	-	915,246
Fixed income - domestic	5,607,952	-	-	5,607,952
	$ 21,537,389	$ -	$ -	$ 21,537,389

Note 5 - Investments:

Investments consist of the following at December 31:

	2024	2023
Mutual funds / exchange trade funds	$ 21,578,621	$ 21,537,389
Total Investments	$ 21,578,621	$ 21,537,389

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

	2024	2023
Investment income	$ 785,238	$ 674,200
Realized gain (loss) on investments, net	1,889,767	(235,799)
Unrealized gain on investments, net	783,099	2,568,549
Investment fees	(73,008)	(79,806)
Total Investment Income	$ 3,385,096	$ 2,927,144

Note 6 - Contributions Receivable:

Contributions receivable consist of the following at December 31:

	2024	2023
Contributions receivable	$ 250,964	$ 395,957
Pledges receivable	1,961,414	2,481,058
Contributions receivable before adjustment to fair value	2,212,378	2,877,015
Less: Adjustments to record contributions receivable at fair value		
Discount to present value	(103,799)	(182,197)
Allowance for uncollectible receivables	(26,000)	-
Total Contributions Receivable, Net	$ 2,082,579	$ 2,694,818

Contributions receivable are expected to be realized in the following periods:

	2024	2023
Due in one year or less	$ 1,358,165	$ 1,442,374
Due in more than one year	724,414	1,252,444
Total Contributions Receivable, Net	$ 2,082,579	$ 2,694,818

Note 7 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2024	2023
Buildings	$ 25,285,239	$ 25,285,239
Leasehold improvements	3,896,404	3,909,603
Internally developed software	500,266	458,242
Furniture and fixtures	625,886	631,657
Machinery and equipment	593,844	594,090
Vehicles	147,973	147,973
Construction in Progress	6,437,598	324,754
Subtotal	37,487,210	31,351,558
Less: Accumulated Depreciation	(12,901,259)	(11,924,383)
Property and Equipment, Net	$ 24,585,951	$ 19,427,175

During fiscal year 2023, the Organization started the construction of 28 new guest rooms for an estimated $11 million. The construction of the rooms is expected to be completed during calendar year 2025.

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 2024. 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 $3,978,168 and $5,030,078 at December 31, 2024 and 2023, respectively.

The note outstanding on December 31, 2024 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, 2024 and 2023.

Debt issuance costs total $5,694 and $5,694, less accumulated amortization of $3,889 and $3,320 at December 31, 2024 and 2023, respectively.

Note 8 - Note Payable: (Continued)

Future principal payments on the note payable are as follows:

Years Ended December 31	
2025	$ 1,099,329
2026	1,147,646
2027	1,198,086
2028	534,912
Total before Unamortized debt issuance costs	3,979,973
Less: Unamortized debt issuance costs	(1,805)
Total	$ 3,978,168

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, 2024 and 2023.

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 $4,197,583 and $3,473,065 at December 31, 2024 and 2023, 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:

	2024	2023
Subject to Expenditure for Specified Purpose:		
In-kind rent	$ 1,618,223	$ 1,794,757
Campaign	1,610,991	3,092,976
Education enrichment	52,626	44,228
Coca cola	47,956	51,294
Laundry room	28,629	29,226
Guest holiday celebration	27,774	38,463
Guest Thanksgiving and Christmas celebrations	25,000	-
Guest room remodel	16,584	31,908
Employee education and emergency	14,733	19,722
Pacific Island family stays	8,047	-
BBQ area remodel	5,542	1,865

(Continued)

Note 11 - Net Assets With Donor Restrictions: (Continued)

	2024	2023
Subject to Expenditure for Specified Purpose: (Continued)		
Meal program	1,566	60,020
Recycling	688	688
Guest gift cards	100	-
Other	74	74
Beach buddies program	-	15,929
Learning from families study	-	10,350
Total Subject to Expenditure for Specified Purpose	3,458,533	5,191,500
Perpetual in Nature:		
Endowments (Note 12)	6,656,244	6,013,427
Total Net Assets with Donor Restrictions	$ 10,114,777	$ 11,204,927

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

Note 12 - Endowment Net Assets: (Continued)

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, 2024 and 2023.

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	$ -	$ 6,656,244	$ 6,656,244
Board-designated endowments	3,759,548	-	3,759,548
Total endowments	$ 3,759,548	$ 6,656,244	$ 10,415,792

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	$ -	$ 6,013,427	$ 6,013,427
Board-designated endowments	2,256,628	-	2,256,628
Total endowments	$ 2,256,628	$ 6,013,427	$ 8,270,055

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at December 31, 2022	$ 1,704,643	$ 5,441,168	$ 7,145,811
Contributions	283,862	4,415	288,277
Investment income, net	51,141	133,186	184,327
Net realized and unrealized gain	216,982	645,015	861,997
Appropriation of endowment assets for Expenditures	-	(210,357)	(210,357)
Balance at December 31, 2023	2,256,628	6,013,427	8,270,055
Contributions	1,156,200	6,091	1,162,291
Investment income, net	64,897	137,943	202,840
Net realized and unrealized gain	281,823	721,366	1,003,189
Appropriation of endowment assets for Expenditures	-	(222,583)	(222,583)
Balance at December 31, 2024	$ 3,759,548	$ 6,656,244	$ 10,415,792

Note 12 - Endowment Net Assets: (Continued)

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.

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 $111,510 and $104,192 for the years ended December 31, 2024 and 2023, respectively. They were comprised of the following for the years ended December 31:

	2024	2023
Fundraising	$ 78,057	$ 72,934
Programs service costs	33,453	31,258
Total	$ 111,510	$ 104,192

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, the Organization receives proceeds net of collection expenses from certain fundraising events conducted at local McDonald's stores. Net proceeds received from such events totaled $427,391 and $218,654 for the years ended December 31, 2024 and 2023, respectively.

RMHC, Inc. also makes direct donations to the Organization throughout the year. These donations totaled $3,000 and $20,000 for the years ended December 31, 2024 and 2023, respectively.

Note 14 - Related Party Transactions: (Continued)

There were no donations or funds transfers made to RMHC, Inc. during the years ended December 31, 2024 and 2023.

Support received from the Board of Trustees and management totaled $463,573 and $755,835 for the years ended December 31, 2024 and 2023, respectively. Pledge receivables from the Board of Trustees and management outstanding at December 31, 2024 and 2023 were $60,903 and $403,769, respectively.

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 $116,153 and $109,919 for the years ended December 31, 2024 and 2023, respectively and is included in salaries and payroll taxes.

Note 16 - Commitments and Contingencies:

Leases

The Organization leases equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2067. In the normal course of business, it is expected that these leases will be renewed or replaced by similar 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 for each of the years ended December 31, 2024 and 2023. In-kind rent receivable totaled $1,618,223 and $1,794,756 at December 31, 2024 and 2023, 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 $17,447 and $15,507 for the years ended December 31, 2024 and 2023, respectively.

Note 16 - Commitments and Contingencies: (Continued)

Leases (Continued)

The following summarizes the line items on the statement of financial position for the operating lease at December 31:

	2024	2023
Operating lease right-of-use asset	$ 13,580	$ 23,546
Operating lease liability - current portion	$ 7,278	$ 14,985
Operating lease liability - less current portion	6,556	8,454
Total Operating Lease Liabilities	$ 13,834	$ 23,439

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	2024	2023
Weighted average remaining lease term - Operating	2.63 years	3.50 years
Weighted average discount rate	2.37%	3.54%

The following summarizes the line items in the statement of activities which include the components of lease expense for the years ended December 31:

	2024	2023
Operating lease expense (*included in facility and equipment*)	$ 17,860	$ 15,950
Total Lease Cost	$ 17,860	$ 15,950

The following summarizes cash flow information related to leases for the years ended December 31:

	2024	2023
Operating cash flows from operating leases	$ 17,447	$ 15,406

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

Years Ended December 31	
2025	$ 7,644
2026	2,379
2027	2,379
2028	1,586
2029	694
Total	14,682
Less: Discount	(848)
Present Value of Lease Liabilities	$ 13,834

Note 16 - Commitments and Contingencies: (Continued)

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, 2022, the requested funds have been received. On January 24, 2022, the Organization received $27,093 of the requested funds for the fourth quarter of 2020. On July 19, 2022, the Organization received $64,564 of the requested funds for the third quarter of 2020. On July 20, 2023, the Organization received $143,178 of the requested funds for the second quarter of 2020.

Note 17 - Litigation and Regulation:

In the normal course of business, the Organization is occasionally named as a defendant in various claims. It is currently not known if the outcome of any pending claims will 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 on the financial statements.