Ronald McDonald House Charities of Southern California

Consolidated Financial Statements and Report of Independent Certified Public Accountants

December 31, 2022 (With Comparative Summarized Financial Information for December 31, 2021)

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Ronald McDonald House Charities of Southern California

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To The Board of Directors
Ronald McDonald House Charities of Southern California
Los Angeles, California

Opinion

We have audited the consolidated financial statements of Ronald McDonald House Charities of Southern California (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022**,** and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.

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- 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 the Organization'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 the Organization'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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Ronald McDonald House Charities of Southern California's 2021 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Combining Schedule of Financial Position by Location as of December 31, 2022 and the Combining Schedule of Activities by Location for the year ended December 31, 2022 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mayer Hoffman McCann P.C.

Bakersfield, California
March 11, 2024

Ronald McDonald House Charities of Southern California
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2022
(With Comparative Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 12,586,985	$ 14,791,746
Cash - Restricted	-	14,500,000
Other Receivables	928,084	568,455
Short-Term Contributions Receivable (net) (Note 7)	898,880	1,279,681
Short-Term Investments	113,560	113,546
Prepaid Expenses and Other assets	663,850	5,839,827
Total Current Assets	**15,191,359**	**37,093,255**
NONCURRENT ASSETS		
Long Term Contributions Receivable (net) (Note 7)	313,960	440,481
Investments - at Fair Value (Note 5)	30,917,891	36,065,173
Investments - at Cost (Note 6)	1,324,358	1,220,119
Right-of-Use Assets - Operating Leases	117,032	-
Land, Buildings, and Equipment (net) (Note 9)	60,608,161	38,443,913
Beneficial Use of Land and Buildings	911,427	952,085
Total Noncurrent Assets	**94,192,829**	**77,121,771**
Total Assets	**$ 109,384,188**	**$ 114,215,026**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 2,532,402	$ 1,844,592
Lease Liabilities - Operating Leases	129,828	-
Notes Payable, current (Note 15)	3,006,103	3,184,153
Total Current Liabilities	**5,668,333**	**5,028,745**
NONCURRENT LIABILITIES		
Notes Payable (Note 15)	15,500,000	15,531,672
Total Noncurrent Liabilities	**15,500,000**	**15,531,672**
Total Liabilities	**21,168,333**	**20,560,417**
NET ASSETS		
Without Donor Restrictions	64,114,764	66,684,231
With Donor Restrictions	24,101,091	26,970,378
Total Net Assets	**88,215,855**	**93,654,609**
Total Liabilities and Net Assets	**$ 109,384,188**	**$ 114,215,026**

Ronald McDonald House Charities of Southern California
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2022
(With Comparative Summarized Financial Information for the Year Ended December 31, 2021)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2022 Total	2021 Total
Revenues and Support				
Contributions	$ 9,035,975	$ 189,813	$ 9,225,788	$ 11,399,210
Capital campaigns	-	1,049,045	1,049,045	4,020,191
In-kind contributions	202,201	-	202,201	72,785
Special event revenues	4,853,701	-	4,853,701	4,030,669
Program fees	128,218	-	128,218	138,425
Rental and other income	446,249	-	446,249	925,079
Net assets released from restrictions	3,292,326	(3,292,326)	-	-
Total Revenues and Support	17,958,670	(2,053,468)	15,905,202	20,586,359
Expenses				
Programs	13,497,889	-	13,497,889	9,589,657
Management and general	1,481,104	-	1,481,104	1,207,375
Fundraising	2,345,131	-	2,345,131	2,118,414
Special event cost of direct benefits to donors	1,536,639	-	1,536,639	1,049,557
Total expenses	18,860,763	-	18,860,763	13,965,003
Change in net assets from Operations	(902,093)	(2,053,468)	(2,955,561)	6,621,356
Nonoperating Activities				
Investment returns, net	(2,877,373)	(815,819)	(3,693,192)	2,918,260
Gain on extinguishment of debt	1,210,000	-	1,210,000	1,210,000
Total Nonoperating Activities	(1,667,373)	(815,819)	(2,483,192)	4,128,260
Change in net assets	(2,569,466)	(2,869,287)	(5,438,753)	10,749,616
Net assets - beginning	66,684,231	26,970,378	93,654,609	82,904,993
Net assets - ending	$ 64,114,765	$ 24,101,091	$ 88,215,856	$ 93,654,609

Ronald McDonald House Charities of Southern California
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022
(With Comparative Summarized Financial Information for the Year Ended December 31, 2021)

	Houses	Camp	Other Programs	Total Programs	Management and General	Fundraising	2022 Total	2021 Total
Salaries and related costs								
Salaries	$ 3,986,451	$ 567,173	$ -	$ 4,553,624	$ 777,637	$ 1,233,437	$ 6,564,698	$ 5,653,572
Employee benefits	374,562	50,886	-	425,448	54,391	118,735	598,574	622,866
Payroll taxes	317,234	46,318	-	363,552	57,748	94,659	515,959	437,211
Retirement plan	157,809	21,034	-	178,843	27,193	38,961	244,997	257,490
Total salaries and related costs	4,836,056	685,411	-	5,521,467	916,969	1,485,792	7,924,228	6,971,139
Expenses								
Grant Expense	-	-	493,043	493,043	-	-	493,043	200,000
Activities and fees	169,379	46,401	10,101	225,881	-	-	225,881	182,574
Guest hotel costs	361,493	-	-	361,493	-	-	361,493	12,414
Guest services	17,426	97,777	-	115,203	-	-	115,203	3,848
Insurance	456,907	417,279	-	874,186	67,375	114,475	1,056,036	841,499
Utilities	298,423	57,657	-	356,080	27,409	46,569	430,058	364,110
Repairs and maintenance	249,709	44,506	-	294,215	22,676	38,527	355,418	218,289
Rent	201,584	-	-	201,584	15,536	26,396	243,516	206,022
Supplies	52,714	3,209	110	56,033	4,311	7,346	67,690	48,145
Outside services	349,146	8,810	-	357,956	-	353,005	710,961	561,350
Food and catering	97,212	30	-	97,242	926	6,785	104,953	10,605
Cleaning, gardening and housekeeping	144,422	23,362	30	167,814	-	-	167,814	206,426
Automobile costs	42,455	6,483	602	49,540	48	210	49,798	28,544
Printing	42,717	1,167	96	43,980	-	24,742	68,722	49,474
Advertising and promotion	80,571	1,610	37	82,218	6,800	118	89,136	29,696
Professional fees	674,102	212,566	-	886,668	91,056	8,512	986,236	456,312
Equipment	85,622	11,284	-	96,906	-	2,772	99,678	86,807
Telephone	127,283	13,055	780	141,118	10,816	18,377	170,311	122,360
Postage	19,397	3,285	79	22,761	1,748	5,818	30,327	36,148
Employee development	208,094	15,855	-	223,949	159	594	224,702	53,332
Conferences and meetings	30,153	4,299	-	34,452	241	-	34,693	2,484
Temporary labor	22,201	79	-	22,280	-	-	22,280	6,477
Property taxes	64,006	-	-	64,006	-	-	64,006	29,118
Tax related charges and expenses	-	-	-	-	998	-	998	366
Bank charges	14,724	593	-	15,317	36,553	4,659	56,529	57,307
Interest expense	517,460	-	-	517,460	101,518	-	618,978	102,470
Other expenses	144,690	11,308	27	156,025	27,010	24,657	207,692	103,003
Expenses before depreciation and income taxes	9,307,946	1,666,026	504,905	11,478,877	1,332,149	2,169,354	14,980,380	10,990,319
Depreciation	1,598,251	417,807	2,954	2,019,012	66,521	175,777	2,261,310	1,865,376
Trust's income taxes	-	-	-	-	82,434	-	82,434	59,751
Total expenditures	$ 10,906,197	$ 2,083,833	$ 507,859	$ 13,497,889	$ 1,481,104	$ 2,345,131	$ 17,324,124	$ 12,915,446

Ronald McDonald House Charities of Southern California
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2022
(With Comparative Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (5,438,753)	$ 10,749,616
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Depreciation	2,261,310	1,865,376
Amortization of in-kind rent	40,658	40,658
Contributions restricted for long-term and capital projects	(1,049,045)	(4,020,191)
Contributions of Securities	(200,000)	(179,587)
Net realized and unrealized investment losses (gains)	4,397,293	(2,875,987)
Gain on disposal of assets	58,669	-
Right-of-use-asset	150,968	-
Unrealized gain on interest of land trust	(704,102)	(42,273)
Gain on extinguishment of debt	(1,210,000)	(1,210,000)
Increase (decrease) in cash resulting from changes in:		
Contribution receivable	507,322	728,527
In-kind and other receivables	(359,629)	(100,805)
Prepaid expenses and other assets	5,175,977	(5,120,671)
Accounts payable and accrued expenses	687,810	513,815
Lease Liability	(138,172)	-
Net cash provided by operating activities	4,180,306	348,478
Cash flows from investing activities		
Purchases of investments- at fair value	(14,964,354)	(9,231,191)
Purchases of investments- at cost	(53,806)	(670,119)
Proceeds from sales and maturities of investments	16,567,998	10,218,736
Purchases of property and equipment	(24,501,228)	(1,909,354)
Proceeds from disposition of property and equipment	17,000	-
Net cash used in investing activities	(22,934,390)	(1,591,928)
Cash flows from financing activities		
Contributions collected for long-term and capital purposes	1,049,045	4,020,191
Proceeds from loan	1,000,000	14,500,000
Net activity on line of credit	278	(215,267)
Proceeds from PPP Loan	-	1,210,000
Net cash provided by financing activities	2,049,323	19,514,924
Net change in cash and restricted cash	(16,704,761)	18,271,474
Cash and restricted cash - beginning of year	29,291,746	11,020,272
Cash and restricted cash - end of year	$ 12,586,985	$ 29,291,746
Components of cash and restricted Cash		
Cash	12,586,985	14,791,746
Restricted cash	-	14,500,000
Total cash and restricted cash	$ 12,586,985	$ 29,291,746
Supplemental cash flow information:		
Interest payments	$ 618,978	$ 102,470
Income taxes paid	$ 82,434	$ 59,751
In-kind contributions of goods and services	$ 202,201	$ 72,785
Right-of-use assets obtained in exchange for new lease liabilities	$ 268,000	$ -

NOTE 1 – DESCRIPTION OF THE ORGANIZATION

Ronald McDonald House Charities of Southern California ("RMHCSC" or the "Organization") is a not-for-profit corporation organized in California in 1977. The Organization's mission is to provide comfort, care, and support to children and families in Southern California. The Organization owns and/or operates houses and family rooms for this purpose in Los Angeles, Orange, Loma Linda, Pasadena, Bakersfield, Long Beach, and Ventura California. It also operates Camp Ronald McDonald for Good Times (the "Camp").

The Organization has controlling interests in Los Angeles Electing Small Business Trust ("LA ESBT") and RMHCSC Holdings LLC. Both LA ESBT and RMHCSC Holdings LLC hold interest in real property located primarily in the Los Angeles area. The interest was received as part of a bequest from a donor to support RMHCSC's capital campaign. Every year, both entities also receive rental income and all the income is given to RMHCSC as contributions. As RMHCSC has a controlling interest in both entities, RMHCSC consolidated the two entities into RMHCSC's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). All intercompany transactions have been eliminated.

Net Assets

The Organization reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

> *Without Donor Restrictions* – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions is in accordance with donors' stipulations results in the release of such restrictions.
>
> *With Donor Restrictions* – Net assets with donor restrictions consist of contributions with donor-imposed restrictions requiring that the donations be used for a specified location, a specified purpose, or during a future specified period of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. For donations that are to be used for a specified location, to the extent contributions for each location's operations exceed operating costs, current restricted revenues are added to net assets with donor restrictions. To the extent the location's operating costs exceed current year contributions, prior purpose restricted revenues are released from restriction and used to support current operations. Restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted contributions.
>
> Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information is included for informational purposes only and should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021 from which the summarized information was derived.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash, and Restricted Cash

The Organization maintains cash in various financial institutions that periodically, and as of year-end, exceeds federally insured limits of $250,000. The amount in excess of federally insured limits is approximately $12 million and $29 million as of December 31, 2022 and 2021, respectively. Management does not consider this concentration to be a significant credit risk.

In 2021, RMHCSC received cash proceeds from a loan that was restricted for the purchase of a building in West Los Angeles for future use as a Ronald McDonald House. The amount received was $14,500,000 and is reported as restricted cash on the consolidated statement of financial position as of December 31, 2021.In 2022, RMHCSC purchased the building in West L.A. and the balance of restricted cash was $0 at December 31, 2022.

Investments

Investments are recorded in the consolidated financial statements at estimated fair value. Fair value is based on quoted prices in active markets, if available. The fair value of the Organization's interest in a land trust and limited liability company is based on significant unobservable inputs. The fair value of the land trust and limited liability company is evaluated each reporting period using an income approach. The Organization's interests in alternative investment funds such as private equity and hedge funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of December 31, 2022 and 2021, the Organization had no plans to sell investments at amounts different from NAV. A summary of the inputs used in valuing the Organization's investments as of December 31, 2022 and 2021 is included in Note 5.

Interest income and dividend income are accrued as earned. Investment activities and results on the consolidated financial statements include investment advisory and management fees. All security transactions are recorded on a trade date basis.

The Organization maintains investments in a financial institution that as of year-end exceeds Securities Investor Protection Corporation's insured limits of $500,000.

Donated Services and Noncash Gifts

Many individuals have donated time and services to advance the Organization's programs and objectives. In some instances, the value of these services has not been recorded in the consolidated financial statements because they do not meet the requirements for recognition under US GAAP. Many other donated goods and products used in programs were received but are not recorded in the consolidated financial statements because there is no objective basis for measuring their values. See Note 16 for the listing of in-kind goods and services that satisfied the revenue recognition and valuation requirements. Donated services and noncash gifts are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized.

Donated Stock

In accordance with authoritative guidance, investments in equity securities with readily determinable fair market values and all debt securities are reported at fair value with gains and losses included in the statement of activities. Realized gains and losses on the sale of securities are based upon the original cost of the security, as determined by the specific identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year or since the acquisition date if acquired during the year and are recorded in the statement of activities as part of current year operations.

Securities acquired by gift are recorded at their fair market value at the date of the gift. The Organization's policy is to liquidate all gifts of securities immediately upon receipt.

Land, Buildings, and Equipment

Land, buildings and equipment are presented at cost or donated value and are being depreciated on the straight-line method over the useful lives of 3-5 years for vehicles, 3-15 years for fixtures and equipment, and 15-30 years for buildings and improvements. The Organization's policy is to capitalize all asset improvements in excess of $1,000 that extend the useful life or increase the utility of the property.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases
The Organization has operating leases for facilities. The Organization determines if an arrangement is a lease at inception. Operating leases as a lessee are included in right-of-use assets - operating leases and lease liabilities - operating leases in the consolidated statements of financial position.

Right-of-use assets represent the Organization's right to use the underlying asset for the lease term. Operating lease right-of-use assets and related liabilities are recognized at the commencement date based on the net present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The leases do not provide an implicit rate, and therefore the Organization has elected to use a risk-free rate as the discount rate when measuring the operating lease liabilities. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Accounting for the Impairment of Long-Lived Assets and Disposal of Long-Lived Assets
The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the years ended December 31, 2022 and 2021, there were no events or changes in circumstances indicating that the carrying amount of the long-lived assets may not be recoverable.

Revenue and Expense Recognition
Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution is received are included in net assets without restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution and nature of fundraising activity. Expenses are recognized when incurred.

Functional Expense Reporting
The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities and detailed in the consolidated statement of functional expenses. 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 service 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 time records, space utilized, and estimates made by the Organization's management.

Advertising Expenses
Advertising costs are expensed as incurred. During 2022 and 2021, advertising costs were approximately $89,136 and $29,696, respectively, and are reported as advertising and promotional expenses on the consolidated statement of functional expense.

Income Taxes
The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes - Continued

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("the Code"), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has also been recognized by the California Franchise Tax Board as an Organization that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization, on behalf of the Los Angeles House ("House"), is the sole trustee of an electing small business trust ("ESBT") that qualifies as a California S Corporation stockholder, but is treated as a separate trust for tax purposes (see Note 11).

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standers Update ("ASU") 2016-02, Leases (Topic 842) ("ASC 842"). The update was issued to increase transparency and comparability for the accounting of lease transactions. The standard requires lessees to recognize leases with a term greater than 12 months on the balance sheet and disclose key information about leasing arrangements. ASC 842 is effective for the Organization for fiscal years beginning after December 15, 2021 and early application is permitted. The Company adopted the new standard as of January 1, 2022, using the required modified retrospective approach. Comparative periods were not adjusted and continue to be presented under ASC 840. The Organization elected the package of practical expedients permitted under the ASC 842 transition guidance, which among other things, allowed it to carry forward the historical lease classification.

The most significant impact of adoption was the recognition of right-of-use ("ROU") assets and lease liabilities for operating leases. Adoption of the new standard resulted in the recognition of ROU assets and lease liabilities for operating leases of approximately $268,000 and $275,000, respectively, as of January 1, 2022.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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. While management believes that these estimates are adequate as of December 31, 2022 and 2021, it is possible that actual results could differ from those estimates.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general use, that is, without donor or other restrictions limiting their use within one year of the financial statement date, comprise the following:

	2022	2021
Financial Assets:		
Cash	$ 12,586,985	$ 14,791,746
Investments	32,355,809	37,398,838
Other receivables	928,084	568,455
Financial Assets at year end	$ 45,870,878	$ 52,759,039
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Permanent endowment restrictions	(4,188,239)	(5,002,358)
Restrictions by donor with time or purpose restrictions	(14,600,132)	(14,450,817)
Interest in land trust and limited liability company	(3,242,625)	(2,538,523)
Financial assets available to meet cash needs for general expenditures within one year	**$ 23,839,882**	**$ 30,767,341**

NOTE 3 – LIQUIDITY AND AVAILABILITY – CONTINUED

Excluded from the amounts above are those assets that do not have immediate liquidity and are intended to be held for long-term purposes. Some of the assets without immediate liquidity may be available and liquid within one year. As part of its liquidity management, the Organization maintains financial assets on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. Additionally, management is confident that the level of liquid assets available at December 31, 2022, are more than adequate to support one year of normal operations and programmatic activities of the Organization.

NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

RMHCSC pays for certain products or services in advance. The upfront payments are recorded to Prepaid Expenses and Other Assets.

As of December 31, 2022, and 2021, the balance in prepaids and other assets consisted of:

	2022	**2021**
Deposits and prepaid cost for purchase of West Los Angeles Building	$ -	$ 5,157,087
Other Deposits	209,995	283,625
Other Prepaid Expense	453,855	399,115
Total Prepaid Expenses and Other Assets	**$ 663,850**	**$ 5,839,827**

NOTE 5 – INVESTMENTS

RMHCSC accounts for its investments at fair value. ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The three levels of fair value hierarchy are described below:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that RMHCSC has the ability to access at the measurement date. These investments include cash and cash equivalents and short term investments.

Level 2 Valuations based on inputs, including broker quotes, in markets that are not active or for which all significant inputs are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 Valuations based on inputs that are both significant to the fair value measurement and unobservable, as they trade infrequently and therefore have little or no price transparency. These inputs into the determination of fair value require significant management judgment or estimation and these investments typically are privately held investments and partnership interests.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Organization evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Organization expects that changes in classifications between different levels will be rare.

The Organization holds marketable debt and equity securities that are intended to provide resources to be used for programs and operations. A portion of these investments are restricted in perpetuity by donor stipulation, and the remainder is a combination of purpose restricted and unrestricted amounts.

NOTE 5 – INVESTMENTS – CONTINUED

The fair values of investments that are measured on a recurring basis are listed below:

	2022					2021
Asset Class	Level 1	Level 2	Level 3	Net Asset Value	Total	Total
Mutual funds / exchange traded funds:						
Equities	$ 3,255,864	$ -	$ -	$ -	$ 3,255,864	$ 3,837,547
Fixed Income	10,130,605	-	-	-	10,130,605	11,107,236
Cash and cash equivalents	270,869	-	-	-	270,869	285,411
Separately managed accounts:						
Equities	9,010,260	-	-	-	9,010,260	12,033,199
Fixed Income	2,927,114	161,210	-	-	3,088,324	5,335,072
Absolute return	-	-	-	2,032,904	2,032,904	1,041,731
	25,594,712	161,210	-	2,032,904	27,788,826	33,640,196
Interest in land trust	-	-	2,129,375	-	2,129,375	1,826,398
Interest in limited liability company	-	-	1,113,250	-	1,113,250	712,125
	-	-	3,242,625	-	3,242,625	2,538,523
Total	$ 25,594,712	$ 161,210	$ 3,242,625	$ 2,032,904	$ 31,031,451	$ 36,178,719

The Organization's policy is to recognize transfers in and out of Level 1, 2, and 3 as of the end of the year or change in circumstances that caused the transfer. There have been no transfers from the Level 1 and Level 2 assets to Level 3 during 2022 and 2021.

Investment income (losses) and expenses consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividend income	$ 525,099	$ 489,793
Gain (loss) on sales of investments	(313,711)	1,315,615
Investment broker fees	(139,185)	(171,364)
Unrealized gains (losses) on investments	(4,469,497)	1,241,943
Unrealized gains on land trust and limited liability company	704,102	42,273
Total realized and unrealized investment gains (losses), net	$ (3,693,192)	$ 2,918,260

The Los Angeles House has a beneficial interest in a land trust that holds real property located primarily in the Los Angeles area. This interest was received as a bequest from a donor to the Los Angeles House's capital campaign. In addition, the Los Angeles House is the sole member of a California limited liability company ("LLC") that is a general partner in a company that holds real property located primarily in the Los Angeles area. This interest was received as a bequest from a donor to the Los Angeles house's capital campaign. Valuations of the trust properties and the LLC's properties are calculated using the capitalization method which capitalizes an income stream into a value indication by converting a series of future periodic installments of net income into present value. The present value of the income stream is calculated using an overall capitalization rate. At December 31, 2022, the capitalization rate ranged from 3.9% to 4.70%. At December 31, 2021, the capitalization rate ranged from 4.25% to 5.00%.

The 2022 and 2021 activity in the land trust was as follows:

	2022	2021
Balance at the beginning of the year	$ 1,826,398	$ 1,546,250
Adjustment to fair value	302,977	280,148
Balance at the end of the year	$ 2,129,375	$ 1,826,398

The 2022 and 2021 activity in the limited liability company was as follows:

	2022	2021
Balance at the beginning of the year	$ 712,125	$ 950,000
Adjustment to fair value	401,125	(237,875)
Balance at the end of the year	$ 1,113,250	$ 712,125

NOTE 5 – INVESTMENTS – CONTINUED

The following tables present the category, fair value, redemption frequency, and redemption notice period for the investments, the fair values of which are estimated using the NAV per share:

Asset Class	Redemption Frequency	Redemption Notice Period
Hedge Funds	Monthly to Quarterly	30 to 90 days
Private Equity	Redemptions not permitted	N/A

The Organization is obligated under certain limited partnership fund agreements to advance additional funding periodically up to specified levels. At December 31, 2022, the Organization had unfunded commitments of approximately $115.000.

NOTE 6 – INVESTMENTS – AT COST

The Organization has investments with minimal ownership in a real estate investment trust ("REIT") as part of its investment pool activity. The investments do not qualify for the NAV practical expedient as they are not an investment in an investment company within the scope of ASC 946. As such, the investments are reported at cost which is $1,324,358 and $1,220,119 as of December 31, 2022 and 2021, respectively. The Organization has not identified any events or changes in circumstance that would have an adverse effect on fair value.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2022 and 2021 consist of the following amounts:

	2022	2021
Capital campaign contributions due to Long Beach House	$ -	$ 1,000
Capital campaign contributions due to Inland Empire House	360,300	659,828
Capital campaign contributions due to Orange County House	538,054	1,092,698
Capital campaign contributions due to Westside L.A. Program	339,500	-
Capital campaign contributions due to Ventura Program	24,000	30,000
Contributions receivable before adjustment to reported value	1,261,854	1,783,526
Less: adjustments to record contributions receivable at fair value		
Discount to present value	(17,467)	(18,774)
Allowance for uncollectible pledges	(31,547)	(44,590)
Total contributions receivable, net	$ 1,212,840	$ 1,720,162

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

Due in one year or less	$ 898,880
Due in two to five years	308,960
Due thereafter	5,000
	$ 1,212,840

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue within net assets with donor restrictions. Promises to give are recorded after discounting to the present value of the future cash flows. Unconditional promises to give received during the year ended December 31, 2022 have been discounted at credit-adjusted rates ranging from 1.40% to 3.77% in accordance with ASC 820.

The Organization has established an allowance for uncollectible pledges to further adjust pledges receivable to fair value. Management records a 2.5% allowance for all pledges.

NOTE 8 – CAPITAL CAMPAIGNS

The Inland Empire House began a capital campaign in 2013 to raise funds for the renovation of existing facilities. As of December 31, 2022, the campaign has raised approximately $7.6 million. The balance of contributions receivable at December 31, 2022 of $360,300 is scheduled to be received between 2023 and 2025.

NOTE 8 – CAPITAL CAMPAIGNS – CONTINUED

The Orange County House began a capital campaign in 2018 to raise funds for the renovation of existing facilities. As of December 31, 2022, the campaign has raised approximately $10.6 million. The balance of contributions receivable at December 31, 2022 of $538,054 is scheduled to be received between 2023 and 2028.

The Ventura Family Room began a capital campaign in 2019 to raise funds for the construction of facilities. As of December 31, 2022, the campaign has raised approximately $913,000. The balance of contributions receivable at December 31, 2022 of $24,000 is scheduled to be received between 2023 and 2025.

The West Los Angeles Ronald McDonald House began a capital campaign in 2020 to raise funds for the construction of facilities. As of December 31, 2022, the campaign has raised approximately $3,835,500. The balance of contributions receivable at December 31, 2022 of $339,500 is scheduled to be received between 2023 and 2027.

NOTE 9 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment was comprised of the following at December 31:

	2022	2021
Construction projects in progress	$ 6,083,668	$ 3,018,526
Land	16,365,174	6,365,174
Buildings and improvements	62,854,363	51,836,327
Furniture and fixtures	5,547,310	5,250,968
Transportation equipment	259,034	308,436
Less: accumulated depreciation	(30,501,388)	(28,335,518)
	$ 60,608,161	$ 38,443,913

Depreciation expense for the years ended December 31, 2022 and 2021 was $2,261,310 and $1,865,376, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Discounted Leases

The Organization leases property from Bakersfield Memorial Hospital for its Bakersfield House rent-free. The original lease was for a five-year term which ended in December 2013 with options to renew thereafter annually. The fair market value of the rent was $36,589 for the years ended December 31, 2022 and 2021, respectively, and is included in in-kind contributions.

The Organization leases property from Memorial Health Services for its Long Beach House. The lease is for a 35-year term, which expires in May 2045, with options to renew for three additional five year terms. The annual lease payment is $1 per year. The in-kind rent receivable was $911,427 and $952,085 at December 31, 2022 and 2021, respectively, and is recorded Beneficial Use of Land and Building. Amortization of the in-kind rent receivable was $40,658 for the years ended December 31, 2022 and 2021.

Leases

The Organization leases buildings for offices for the Pasadena facilities which meet the definition of leases under ASC 842 – *Leases.* In accordance with ASC 842, the Organization has determined that such arrangements are operating leases and accordingly the Organization has, as of January 1, 2022, recorded operating lease right-of-use assets and a related lease liability for the present value of the lease payments over the lease terms. The leases do not provide an implicit rate, and therefore the Organization has elected to use a risk free rate as the discount rate when measuring the operating lease liability. Such assets and liabilities aggregated approximately $268,000 and $275,000 as of January 1, 2022, respectively. The Organization determined that it had no arrangements representing finance leases. The leases expire at various dates through December 2023 and do not include options to extend the initial lease term.

NOTE 10 – COMMITMENTS AND CONTINGENCIES – CONTINUED

The Organization's weighted average remaining lease term and weighted average discount rate for its operating leases as of December 31, 2022 are:

Weighted Average Remaining Lease Term:	0.75 Years
Weighted Average Discount Rate:	0.62%

The table below reconciles the undiscounted future minimum lease payments under non-cancelable leases with terms of more than one year to the total lease liabilities recognized on the consolidated statement of financial position as of December 31, 2022:

2023	$	130,189
Less: Difference Between Undiscounted Lease Payments and Lease Liabilities		(361)
Total Lease Liabilities	$	129,828

Cash payments under operating leases were approximately $154,000 for the year ended December 31, 2022.

Litigation

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

NOTE 11 – PROVISION FOR INCOME TAXES

The income tax provisions for the ESBT for the year ended December 31, 2022 were $47,073 and $35,361 for federal and state, respectively. For the year ended December 31, 2021, income tax provisions were $41,751 and $18,000 for federal and state, respectively.

NOTE 12 – RETIREMENT PLAN

The Organization has adopted a qualified salary deferral 401(k) plan that covers substantially all employees who have met certain service requirements. The Organization may elect to match the employee contributions to the plan. The voluntary employee contributions are limited to a percentage of compensation of qualified participants. The Organization elected to make matching contributions of $244,997 and $257,490 in 2022 and 2021, respectively.

NOTE 13 – NET ASSETS

NET ASSETS WITH DONOR RESTRICTIONS

Restricted For a Specified Purpose Portion of Net Assets with Donor Restrictions
At December 31, 2022 and 2021 the purpose restricted portion of net assets with donor restrictions are available for the following purposes:

	2022	2021
Orange County capital	$ 10,583,051	$ 10,262,745
Camp capital	3,871,445	3,871,445
Long Beach operations	1,380,427	1,344,662
Pasadena operations	458,381	599,506
Long Beach in-kind rent	911,427	952,109
Central Office – Couples Against Leukemia	-	524,128
Orange County operations	88,576	534,428
Bakersfield operations	693,401	693,401
Ventura-operations	184,173	309,179
West L.A.-capital	835,239	106,500
Ventura-capital	-	913,337
Scholarships – HACER	189,535	189,535
Central Office – West Los Angeles	-	1,001,953
Pasadena purpose restricted contributions	2,892	23,546
Los Angeles purpose restricted contributions	48,275	28,501
Orange County purpose restricted contributions	53,613	53,613
Pasadena emergency fund	28,221	28,221
Long Beach purpose restricted contributions	29,773	39,240
Scholarships – Future Achievers	21,518	21,518
Scholarships – ASIA	133,716	109,216
Camp purpose restricted contributions	15,694	19,434
Central Office- Operations	383,495	341,803
Total purpose restricted portion of net assets with donor restrictions	$ 19,912,852	$ 21,968,020

Restricted in Perpetuity Portion of Net Assets with Donor Restrictions

Restricted in perpetuity portion of net assets with donor restrictions at December 31, 2022 and 2021 are held in perpetuity for the various locations.

	2022	2021
Los Angeles House	$ 1,349,028	$ 1,609,229
Camp Ronald McDonald for Good Times	612,000	738,753
Orange County House	2,214,194	2,638,922
Inland Empire House	13,017	15,454
Total restricted in perpetuity portion of net assets with donor restrictions	$ 4,188,239	$ 5,002,358

Total Net Assets with donor restrictions at December 31, 2022 and 2021:

	2022	2021
Restricted for a specified purpose	$ 19,912,852	$ 21,968,020
Restricted in perpetuity	4,188,239	5,002,358
Total net assets with donor restrictions	$ 24,101,091	$ 26,970,378

RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 14 – ENDOWMENTS

RMHCSC has classified as donor restricted, the fair value of donations restricted by donors to be held as endowments in perpetuity. As a result, the endowment fund includes the fair value of the original and subsequent gifts made.

Authoritative guidance related to not-for-profit entities provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and requires additional disclosures about an organization's endowment funds.

The Organization has interpreted UPMIFA as the prudent preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) 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 and (d) the remaining portion of the donor-restricted endowment until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by the State of California's UPMIFA. As such, much of the net realized and unrealized appreciation in the fair value of the assets of an endowment fund over the historic dollar value of the fund is considered prudent, unless the donor's intention is indicated in the endowment.

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 purposes 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 appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization's endowment investment policy and strategy is to generate total investment returns, through the long-term growth of capital while achieving a real rate of return in excess of inflation.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses in net assets with donor restrictions. No deficiencies existed in 2022 or 2021.

The Organization has adopted a policy to appropriate for distribution based on 3% to 5% of the trailing 3-year moving average of the portfolio value of endowments that do not contain spending guidelines. For endowments that include specific spending guidelines, amounts will be appropriated in accordance with such specified guidelines.

Changes in endowment assets for the year ended December 31, 2022 and 2021 are as follows:

	December 31, 2022		
	Net Assets Without Restriction	Net Assets With Restriction	Total
Balance at December 31, 2021	$ -	$ 5,002,358	$ 5,002,358
Contributions	-	1,700	1,700
Investment income	-	72,980	72,980
Investment broker fees	-	(28,876)	(28,876)
Net realized and unrealized losses	-	(859,923)	(859,923)
Appropriation of endowment income for expenditures	-	-	-
Balance at December 31, 2022	$ -	$ 4,188,239	$ 4,188,239

NOTE 14 – ENDOWMENTS – CONTINUED

	December 31, 2021		
	Net Assets Without Restriction	Net Assets With Restriction	Total
Balance at December 31, 2020	$ -	$ 4,517,329	$ 4,517,329
Contributions	-	1,600	1,600
Investment income	-	68,358	68,358
Investment broker fees	-	(30,651)	(30,651)
Net realized and unrealized gains	-	473,020	473,020
Appropriation of endowment income for expenditures	-	(27,298)	(27,298)
Balance at December 31, 2021	$ -	$ 5,002,358	$ 5,002,358

All endowments at December 31, 2022 and 2021 are donor restricted endowment funds.

NOTE 15 – NOTES PAYABLE

Morgan Stanley Smith Barney (MSSB)
The note payable consists of a Portfolio Loan Account (PLA) in place at MSSB. The PLA is secured by investment accounts held at MSSB and there is no specified repayment period as long as a minimum level of investments is maintained. The terms of the PLA include monthly interest only payments based on a variable rate, which is determined by the corresponding PLA index plus 1.25%. The variable rate ranged from 1.34% to 5.39% in 2022, and was 5.39% as of December 31, 2022. The balance of the variable portion of the PLA was $0 and $1,392 at December 31, 2022 and 2021, respectively.

The Organization may request a fixed rate loan for a portion of the outstanding balance at any time. Upon approval from MSSB, the interest is fixed for the agreed upon amount for the specified period. At December 31, 2022 and 2021, $3,004,433 of the note payable balance had a fixed interest rate of 3.33%. The fixed rate portion of the note is due in full on June 28, 2024. There is prepayment fee if any portion of the fixed rate principal is paid in advance.

The PLA is callable by the borrower at any time. At December 31, 2022, the maximum amount available under the PLA is $8,529,453.

Unihealth Foundation
In August 2022, the Organization received a program-related investment loan from Unihealth Foundation in the amount of $2,500,000. The loan proceeds will be disbursed over a three-year period, accrues interest at 2% per annum and matures seven years from the date of the final disbursement. The Organization received $1,000,000 during the year ended December 31, 2022.

City National Bank PPP Loan
In April 2020, the Organization was granted a loan from City National Bank for $1,210,000, pursuant to the Paycheck Protection Program (the “PPP”) of the CARES Act, which was enacted March 27, 2020. The loan accrues interest at 1% per annum and matures in April 2022. The Organization applied for forgiveness on the loan and the loan plus accrued interest was forgiven in full on April 30, 2021. In February 2021, the Organization was granted a second PPP loan from City National Bank for $1,210,000. The loan accrues interest at 1% per annum and matures in February 2026. In July 2022, the Organization was notified that the principal balance of the PPP loan and all accrued interest was fully forgiven. During the years ended December 31, 2022 and 2021, the Organization recorded a gain on extinguishment of debt in the amount of $1,210,000 for the forgiveness of the loans.

City National Bank-West Los Angeles Loan
In December 2021, the Organization entered into a credit agreement (“loan”) with City National Bank for $14,500,000 to support the acquisition of property on the westside of LA. The terms of the loan include monthly interest payments based on a variable interest rate, which is determined by the Daily Simple Secured Overnight Financing Rate (SOFR) plus 1.85%, subject to a floor of 1.85%. The SOFR at December 31, 2022 was 4.3125%. The loan is collateralized by the gross revenues

NOTE 15 – NOTES PAYABLE – CONTINUED

inclusive of all capital campaign pledges and proceeds associated with the West Los Angeles Capital Campaign. The proceeds of the Loan were used to purchase of the property in the westside of Los Angeles. The Loan matures in December 2028. The Organization is subject to compliance with certain debt covenants under the loan agreement. The Organization received a waiver for covenant non-compliance for the year ended December 31, 2022.

Principal maturities of notes payable are as follows:

Year Ending December 31,	Amount
2023	$ 3,006,103
2024	2,000,000
2025	2,500,000
2026	2,500,000
2027	2,500,000
Thereafter	6,000,000
Total	$ 18,506,103

NOTE 16 – IN-KIND CONTRIBUTIONS AND EXPENSES

In-kind goods and services that satisfied the revenue recognition requirements were recorded as follows:

	2022	2021
Expenses for operations		
Automobile costs	$ 4,165	$ 7,310
Cleaning, gardening, housekeeping	2,880	2,880
Rent	36,589	27,743
Special Event: Professional fees	-	3,595
Professional fees	140,610	9,172
Supplies	17,957	22,085
Total in-kind contributions	$ 202,201	$ 72,785

NOTE 17 – RELATED PARTIES

RMHCSC 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. RMHCSC 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 revenues from all national fundraising efforts that take place in McDonald's restaurants, such as the donation boxes that are located on the counter tops and at the drive thru windows, are shared with RMHC, Inc. During 2022 and 2021, the contribution from McDonald’s Corporation and Independent McDonald Owner Operators through our local restaurant matching campaign was $964,972 and $966,097, respectively.

During 2022, a program board member served as an agent for the Organization in the purchase transaction for the building in Westside Los Angeles, and his firm received a 3% commission of the transaction.

NOTE 18 – SUBSEQUENT EVENTS

During 2023 the Organization received an additional $1,000,000 under the program-related investment loan from Unihealth Foundation.

The Organization evaluated its December 31, 2022 consolidated financial statements for subsequent events through March 11, 2024, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events, other than indicated above, which would require recording or disclosure in the consolidated financial statements.

SUPPLEMENTARY SCHEDULES

Ronald McDonald House Charities of Southern Californiia
COMBINING SCHEDULE OF FINANCIAL POSITION BY LOCATION
For the year ended December 31, 2022

	Los Angeles House	Bakersfield House	Camp Ronald McDonald	Orange County House	Inland Empire House	Pasadena House	West Los Angeles House	Long Beach House	Ventura Family Room	Central Office	Total
Assets											
Current Assets											
Cash	$ 1,277,119	$ 606,563	$ -	$ 5,189,365	$ 245,444	$ 656,855	$ 1,184,430	$ 1,961,666	$ -	$ 1,465,543	**$ 12,586,985**
Restricted Cash	-	-	-	-	-	-	-	-	-	-	**-**
Other Receivables	124,865	114	26,517	16,514	2,594	271	-	-	-	757,209	**928,084**
Short Term Contributions Receivable (net)	-	-	-	375,500	351,292	-	155,513	-	16,575	-	**898,880**
Short-Term Investments	-	-	-	-	113,560	-	-	-	-	-	**113,560**
Prepaid Expenses and Other Assets	78,804	4,473	263,407	147,308	55,466	23,235	853	20,257	3,682	66,365	**663,850**
Total Current Assets	**$ 1,480,788**	**$ 611,150**	**$ 289,924**	**$ 5,728,687**	**$ 768,356**	**$ 680,361**	**$ 1,340,796**	**$ 1,981,923**	**$ 20,257**	**$ 2,289,117**	**$ 15,191,359**
Noncurrent Assets											
Long Term Contributions Receivable (net)	-	-	-	144,196	-	-	163,050	-	6,714	-	**313,960**
Investments - at Fair Value	6,954,315	851,630	4,314,160	9,862,712	1,194,249	1,650,143	1,011	3,095,969	-	2,273,702	**30,197,891**
Investments - at Cost	-	-	-	-	-	-	-	-	-	1,324,358	**1,324,358**
Right-of-Use Assets - Operating Leases	-	-	-	-	-	117,032	-	-	-	-	**117,032**
Land, Buildings and Equipment (net)	9,551,163	385,295	9,480,745	7,164,229	10,397,543	97,256	19,461,187	2,692,489	1,314,022	64,232	**60,608,161**
Beneficial Use of Land and Buildings	-	-	-	-	-	-	-	911,427	-	-	**911,427**
Total Noncurrent Assets	**$ 16,505,478**	**$ 1,236,925**	**$ 13,794,905**	**$ 17,171,137**	**$ 11,591,792**	**$ 1,864,431**	**$ 19,625,248**	**$ 6,699,885**	**$ 1,320,736**	**$ 3,662,292**	**$ 93,472,829**
Total Assets	**$ 17,986,266**	**$ 1,848,075**	**$ 14,084,829**	**$ 22,899,824**	**$ 12,360,148**	**$ 2,544,792**	**$ 20,966,044**	**$ 8,681,808**	**$ 1,340,993**	**$ 5,951,409**	**$ 108,664,188**
Liabilities											
Current Liabilities											
Accounts Payable and Accrued Expenses	$ 332,134	$ 44,780	$ 160,677	$ 551,006	$ 177,858	$ 96,307	$ 193,518	$ 131,973	$ 30,297	$ 813,852	**$ 2,532,402**
Lease Liabilities - Operating Leases	$ -	$ -	$ -	$ -	$ -	129,828	$ -	$ -	$ -	$ -	**$ 129,828**
Notes Payables, Current	3,006,103	-	-	-	-	-	-	-	-	-	**3,006,103**
Inter-Entity Payables (receivables)	(135,688)	(119,047)	399,340	(284,105)	(31,079)	(116,760)	1,419,778	47,155	28,509	(1,208,103)	**-**
Total Current Liabilities	**3,202,549**	**(74,267)**	**560,017**	**266,901**	**146,779**	**109,375**	**1,613,296**	**179,128**	**58,806**	**(394,251)**	**5,668,333**
Noncurrent Liabilities											
Notes payables	-	-	-	-	-	-	15,500,000	-	-	-	**15,500,000**
Total Noncurrent Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**15,500,000**	**-**	**-**	**-**	**15,500,000**
Net Assets											
Without Donor Restristrictions	13,386,414	1,228,941	9,025,673	9,693,489	12,200,352	1,945,924	3,017,507	6,181,031	1,098,014	6,337,419	**64,114,764**
With Donor Restrictions	1,397,303	693,401	4,499,139	12,939,434	13,017	489,493	835,241	2,321,649	184,173	728,241	**24,101,091**
Total Net Assets	**14,783,717**	**1,922,342**	**13,524,812**	**22,632,923**	**12,213,369**	**2,435,417**	**3,852,748**	**8,502,680**	**1,282,187**	**7,065,660**	**88,215,855**
Total Liabilities and Net Assets	**$ 17,986,266**	**$ 1,848,075**	**$ 14,084,829**	**$ 22,899,824**	**$ 12,360,148**	**$ 2,544,792**	**$ 20,966,044**	**$ 8,681,808**	**$ 1,340,993**	**$ 6,671,409**	**$ 109,384,188**

Ronald McDonald House Charities of Southern Californiia
COMBINING SCHEDULE OF ACTIVITIES BY LOCATION
For the year ended December 31, 2022

	Los Angeles House	Bakersfield House	Camp Ronald McDonald	Orange County House	Inland Empire House	Pasadena House	West Los Angeles House	Long Beach House	Ventura Family Room	Central Office	Total
Revenues and Support											
Contributions	$ 1,044,527	$ 184,516	$ 771,455	$ 856,418	$ 621,435	$ 412,227	$ 49,331	$ 683,026	$ 64,248	$ 4,538,605	**$ 9,225,788**
Capital campaign	-	-	-	320,306	-	-	728,739	-	-	-	**1,049,045**
In-kind contributions	4,201	36,589	106,586	1,461	4,358	36,253		12,753	-	-	**202,201**
Special event revenues	484,439	457,377	826,163	763,810	439,018	396,162	112,487	1,064,492	69,040	240,713	**4,853,701**
Program fees	24,715	380	-	2,612	53,785	13,466		33,260	-	-	**128,218**
Rental and other income	176,090	428	194,818	606	36,288	17,371	17,800	2,746	-	102	**446,249**
Inter-entity	726,036	78,913	322,684	182,656	485,354	194,160	3,006,277	166,146	14,825	(5,177,051)	**-**
Total Revenues and Support	**2,460,008**	**758,203**	**2,221,706**	**2,127,869**	**1,640,238**	**1,069,639**	**3,914,634**	**1,962,423**	**148,113**	**(397,631)**	**15,905,202**
Expenses											
Program expense	2,430,334	428,854	2,194,080	1,570,763	1,824,261	780,203	1,226,514	1,097,391	208,228	2,095,105	**13,855,733**
Management and general	388,585	19,517	114,252	96,260	104,553	45,521	19,822	88,329	10,806	484,885	**1,372,530**
Fundraising	297,465	46,021	250,772	196,780	294,843	68,815	60,347	211,286	15,493	654,040	**2,095,862**
Special Event cost of direct benefits to donors	64,135	197,924	225,880	206,350	123,641	125,350	19,947	410,889	23,767	138,756	**1,536,639**
Total Expenses	**3,180,519**	**692,316**	**2,784,984**	**2,070,153**	**2,347,298**	**1,019,889**	**1,326,630**	**1,807,895**	**258,294**	**3,372,786**	**18,860,764**
Change in Net Assets from Operations	**(720,511)**	**65,887**	**(563,278)**	**57,716**	**(707,060)**	**49,750**	**2,588,004**	**154,528**	**(110,181)**	**(3,770,417)**	**(2,955,562)**
Nonoperating Activiites											
Investment Returns, net	(14,287)	(140,692)	(384,731)	(1,167,032)	(279,209)	(341,163)	13	(539,861)	-	(826,230)	**(3,693,192)**
Gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	1,210,000	**1,210,000**
Total Nonoperating Activities	**(14,287)**	**(140,692)**	**(384,731)**	**(1,167,032)**	**(279,209)**	**(341,163)**	**13**	**(539,861)**	**-**	**383,770**	**(2,483,192)**
Change in net assets	(734,798)	(74,805)	(948,009)	(1,109,316)	(986,269)	(291,413)	2,588,017	(385,333)	(110,181)	(3,386,647)	**(5,438,754)**
Net assets - beginning	15,518,515	1,997,147	14,472,821	23,742,239	13,199,638	2,726,830	1,264,731	8,888,013	1,392,368	10,452,307	**93,654,609**
Net assets - ending	**$ 14,783,717**	**$ 1,922,342**	**$ 13,524,812**	**$ 22,632,923**	**$ 12,213,369**	**$ 2,435,417**	**$ 3,852,748**	**$ 8,502,680**	**$ 1,282,187**	**$ 7,065,660**	**$ 88,215,855**