



# **Ronald McDonald House Charities of Southern California**

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants  
December 31, 2023 (With Comparative Summarized Financial Information  
for December 31, 2022)



**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 financial statement of financial position as of December 31, 2023 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, 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 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 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 11, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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, 2023 and the Combining Schedule of Activities by Location for the year ended December 31, 2023 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  
August 12, 2024

**Ronald McDonald House Charities of Southern California**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 7,129,889	\$ 12,586,985
Other Receivables	874,899	928,084
Short-Term Contributions Receivable (net) (Note 7)	779,259	898,880
Short-Term Investments	113,631	113,560
Prepaid Expenses and Other assets	630,069	663,850
<b>Total Current Assets</b>	<b>9,527,747</b>	<b>15,191,359</b>
<b>NONCURRENT ASSETS</b>		
Long Term Contributions Receivable (net) (Note 7)	689,673	313,960
Investments - at Fair Value (Note 5)	28,395,195	30,917,891
Investments - at Cost (Note 6)	1,385,536	1,324,358
Right-of-Use Assets - Operating Leases	-	117,032
Land, Buildings, and Equipment (net) (Note 9)	68,462,581	60,608,161
Beneficial Use of Land and Buildings	870,769	911,427
<b>Total Noncurrent Assets</b>	<b>99,803,754</b>	<b>94,192,829</b>
<b>Total Assets</b>	<b>\$ 109,331,501</b>	<b>\$ 109,384,188</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 3,009,800	\$ 2,532,402
Lease Liabilities - Operating Leases	-	129,828
Notes Payable, current (Note 15)	5,006,103	3,006,103
<b>Total Current Liabilities</b>	<b>8,015,903</b>	<b>5,668,333</b>
<b>NONCURRENT LIABILITIES</b>		
Notes Payable (Note 15)	14,500,000	15,500,000
<b>Total Noncurrent Liabilities</b>	<b>14,500,000</b>	<b>15,500,000</b>
<b>Total Liabilities</b>	<b>22,515,903</b>	<b>21,168,333</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	61,575,449	64,114,764
With Donor Restrictions	25,240,149	24,101,091
<b>Total Net Assets</b>	<b>86,815,598</b>	<b>88,215,855</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 109,331,501</b>	<b>\$ 109,384,188</b>

**Ronald McDonald House Charities of Southern California**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2023**  
**(With Comparative Summarized Financial Information for the Year Ended December 31, 2022)**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2023 Total	2022 Total
Revenues and Support				
Contributions	\$ 10,168,160	\$ 382,133	\$ 10,550,293	\$ 9,225,788
Capital campaigns	-	1,440,086	1,440,086	1,049,045
In-kind contributions	683,800	-	683,800	202,201
Special event revenues	5,040,635	-	5,040,635	4,853,701
Program fees	114,387	-	114,387	128,218
Rental and other income	464,019	-	464,019	446,249
Net assets released from restrictions	1,365,290	(1,365,290)	-	-
Total Revenues and Support	17,836,291	456,929	18,293,220	15,905,202
Expenses				
Programs	16,188,684	-	16,188,684	13,497,889
Management and general	1,696,199	-	1,696,199	1,481,104
Fundraising	3,032,987	-	3,032,987	2,345,131
Special event cost of direct benefits to donors	1,920,833	-	1,920,833	1,536,639
Total expenses	22,838,703	-	22,838,703	18,860,763
Change in net assets from Operations	(5,002,412)	456,929	(4,545,483)	(2,955,561)
Nonoperating Activities				
Investment returns, net	2,463,097	682,129	3,145,226	(3,693,193)
Gain on extinguishment of debt	-	-	-	1,210,000
Total Nonoperating Activities	2,463,097	682,129	3,145,226	(2,483,193)
Change in net assets	(2,539,315)	1,139,058	(1,400,257)	(5,438,754)
Net assets - beginning	64,114,764	24,101,091	88,215,855	93,654,609
Net assets - ending	\$ 61,575,449	\$ 25,240,149	\$ 86,815,598	\$ 88,215,855

**Ronald McDonald House Charities of Southern California**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2023**  
**(With Comparative Summarized Financial Information for the Year Ended December 31, 2022)**

	Houses	Camp	Other Programs	Total Programs	Management and General	Fundraising	2023 Total	2022 Total
Salaries and related costs								
Salaries	\$ 4,764,946	\$ 632,859	\$ 72,814	\$ 5,470,619	\$ 954,978	\$ 1,747,349	\$ 8,172,946	\$ 6,564,698
Employee benefits	390,804	43,514	4,364	438,682	70,143	103,999	612,824	598,574
Payroll taxes	378,070	53,212	5,662	436,944	72,157	133,008	642,109	515,959
Retirement plan	172,294	19,748	1,239	193,281	25,603	41,028	259,912	244,997
Total salaries and related costs	5,706,114	749,333	84,079	6,539,526	1,122,881	2,025,384	9,687,791	7,924,228
Expenses								
Grant Expense	-	-	-	-	-	-	-	493,043
Activities and fees	179,933	101,142	19,378	300,453	-	1,000	301,453	225,881
Guest hotel costs	581,063	-	-	581,063	-	-	581,063	361,493
Guest services	11,464	294,741	-	306,205	-	-	306,205	115,203
Insurance	550,658	388,764	12,535	951,957	71,687	121,802	1,145,446	1,056,036
Utilities	375,431	78,481	-	453,912	34,981	59,434	548,327	430,058
Repairs and maintenance	326,310	32,992	-	359,302	27,692	47,050	434,044	355,418
Rent	191,390	-	-	191,390	14,751	25,062	231,203	243,516
Supplies	75,410	1,966	1,925	79,301	6,091	10,382	95,774	67,690
Outside services	350,302	8,147	6,652	365,101	-	409,034	774,135	710,961
Food and catering	55,579	1,484	2,139	59,202	3,134	6,936	69,272	104,953
Cleaning, gardening and housekeeping	146,760	40,178	16	186,954	-	-	186,954	167,814
Automobile costs	41,738	12,922	5,475	60,135	50	11	60,196	49,798
Printing	49,371	19,265	3,410	72,046	-	12,007	84,053	68,722
Advertising and promotion	116,842	3,241	1,729	121,812	847	59	122,718	89,136
Professional fees	889,389	31,468	31,384	952,241	16,986	33,002	1,002,229	986,236
Equipment	130,577	31,397	3,441	165,415	-	-	165,415	99,678
Telephone	145,283	10,748	8,182	164,213	12,608	21,421	198,242	170,311
Postage	27,012	756	698	28,466	2,189	6,087	36,742	30,327
Employee development	229,427	55,920	7,089	292,436	587	-	293,023	224,702
Conferences and meetings	85,731	9,402	5,867	101,000	6,823	-	107,823	34,693
Temporary labor	101,156	-	-	101,156	-	-	101,156	22,280
Property taxes	463,732	-	-	463,732	-	-	463,732	64,006
Tax related charges and expenses	-	-	-	-	-	-	-	998
Bank charges	13,319	255	223	13,797	38,153	5,646	57,596	56,529
Interest expense	1,038,925	-	-	1,038,925	101,518	-	1,140,443	618,978
Other expenses	161,515	14,188	21,103	196,806	82,211	72,097	351,114	207,692
Expenses before depreciation and income taxes	12,044,431	1,886,790	215,325	14,146,546	1,543,189	2,856,414	18,546,149	14,980,380
Depreciation	1,518,019	413,394	110,725	2,042,138	68,010	176,573	2,286,721	2,261,310
Trust's income taxes	-	-	-	-	85,000	-	85,000	82,434
Total expenditures	\$ 13,562,450	\$ 2,300,184	\$ 326,050	\$ 16,188,684	\$ 1,696,199	\$ 3,032,987	\$ 20,917,870	\$ 17,324,124

See Accompanying Notes to the Consolidated Financial Statements

**Ronald McDonald House Charities of Southern California**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2023**  
**(With Comparative Summarized Financial Information for the Year Ended December 31, 2022)**

	2023	2022
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,400,257)	\$ (5,438,754)
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Depreciation	2,286,721	2,261,310
Amortization of in-kind rent	40,658	40,658
Contributions restricted for long-term and capital projects	(1,440,086)	(1,049,045)
Contributions of securities	(158,828)	(200,000)
Contribution of property	(570,000)	-
Net realized and unrealized investment losses (gains)	(3,702,602)	4,397,293
(Gain) loss on disposal of assets	(1,904)	58,670
Right-of-use-asset	117,032	150,968
Unrealized (gain) loss on interest of land trust	557,376	(704,102)
Gain on extinguishment of debt	-	(1,210,000)
Increase (decrease) in cash resulting from changes in:		
Contribution receivable	(256,092)	507,322
In-kind and other receivables	53,185	(359,629)
Prepaid expenses and other assets	33,781	5,175,977
Accounts payable and accrued expenses	477,398	687,810
Lease Liability	(129,828)	(138,172)
Net cash (used in) provided by operating activities	(4,093,446)	4,180,306
<b>Cash flows from investing activities</b>		
Purchases of investments- at fair value	(4,383,546)	(14,964,354)
Purchases of investments- at cost	(32,467)	(53,806)
Proceeds from sales and maturities of investments	10,751,514	16,567,998
Purchases of property and equipment	(10,143,045)	(24,501,228)
Proceeds from disposition of property and equipment	3,808	17,000
Net cash used in investing activities	(3,803,736)	(22,934,390)
<b>Cash flows from financing activities</b>		
Contributions collected for long-term and capital purposes	1,440,086	1,049,045
Net activity on line of credit	-	278
Proceeds from loan	1,000,000	1,000,000
Net cash provided by financing activities	2,440,086	2,049,323
<b>Net change in cash</b>	(5,457,096)	(16,704,761)
<b>Cash - beginning of year</b>	12,586,985	29,291,746
<b>Cash - end of year</b>	\$ 7,129,889	\$ 12,586,985
<b>Supplemental cash flow information:</b>		
Interest payments	\$ 1,140,443	\$ 618,978
Income taxes paid	\$ 85,000	\$ 82,434
In-kind contributions of goods and services	\$ 683,800	\$ 202,201
Right-of-use assets obtained in exchange for new lease liabilities	\$ -	\$ 268,000



## **Ronald McDonald House Charities of Southern California**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

#### **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, Inland Empire, Pasadena, Bakersfield, Long Beach, Ventura, and Westside Los Angeles 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 interests were 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.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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, 2022 from which the summarized information was derived.

**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 \$6.6 million and \$12 million as of December 31, 2023 and 2022, respectively. Management does not consider this concentration to be a significant credit risk.

**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, 2023 and 2022, 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, 2023 and 2022 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.

Ronald McDonald House Charities of Southern California

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Contributions of Nonfinancial Assets**

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statement of changes in net assets included:

	2023	2022
Real Estate	\$ 570,000	\$ -

The Organization's policy related to contributions of nonfinancial assets is to utilize the assets given in carrying out the mission of the Organization. If an asset is contributed that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value.

**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.

**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, 2023 and 2022, 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 credit losses is estimated based upon such factors as prior collection history, type of contribution and nature of fundraising activity. Expenses are recognized when incurred.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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 2023 and 2022, advertising costs were approximately \$123,000 and \$89,000, 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.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue 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 June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The guidance is effective for fiscal years beginning after December 15, 2022 with early adoption permitted. The Organization adopted this ASU on January 1, 2023, using the modified retrospective approach and it did not have a material impact on its consolidated financial statements.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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, 2023 and 2022, 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:

	<b>2023</b>	<b>2022</b>
<b>Financial Assets:</b>		
Cash	\$ 7,129,889	\$ 12,586,985
Investments	29,894,362	32,355,809
Other receivables	874,899	928,084
	<hr/>	<hr/>
<b>Financial Assets at Year End</b>	<b>\$ 37,899,150</b>	<b>\$ 45,870,878</b>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Permanent endowment restrictions	(4,872,818)	(4,188,239)
Restrictions by donor with time or purpose restrictions	(2,321,493)	(14,600,132)
Interest in land trust and limited liability company	(2,685,251)	(3,242,625)
	<hr/>	<hr/>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b><u><u>\$ 28,019,588</u></u></b>	<b><u><u>\$ 23,839,882</u></u></b>

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, 2023, are more than adequate to support one year of normal operations and programmatic activities of the Organization.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**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, 2023, and 2022, the balance in prepaids and other assets consisted of:

	<u>2023</u>	<u>2022</u>
Other Deposits	\$ 189,806	\$ 209,995
Other Prepaid Expense	<u>440,263</u>	<u>453,855</u>
Total Prepaid Expenses and Other Assets	<u><b>\$ 630,069</b></u>	<u><b>\$ 663,850</b></u>

**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.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 5 – INVESTMENTS – CONTINUED**

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

Asset Class	2023					2022
	Level 1	Level 2	Level 3	Net Asset Value	Total	Total
Mutual funds / exchange traded funds:						
Equities	\$ 3,691,416	\$ -	\$ -	\$ -	\$ 3,691,416	\$ 3,255,864
Fixed Income	4,419,847	-	-	-	4,419,847	10,130,605
Cash and cash equivalents	379,553	-	-	-	379,553	270,869
Separately managed accounts:						
Equities	10,889,933	-	-	-	10,889,933	9,010,260
Fixed Income	3,495,920	271,020	-	-	3,766,940	3,088,324
Absolute return	-	-	-	2,105,886	2,105,886	2,032,904
	<u>22,876,669</u>	<u>271,020</u>	<u>-</u>	<u>2,105,886</u>	<u>25,253,575</u>	<u>27,788,826</u>
Real estate investment	-	-	570,000	-	570,000	-
Interest in land trust	-	-	1,895,813	-	1,895,813	2,129,375
Interest in limited liability company	-	-	789,438	-	789,438	1,113,250
	<u>-</u>	<u>-</u>	<u>3,255,251</u>	<u>-</u>	<u>3,255,251</u>	<u>3,242,625</u>
Total	<u>\$ 22,876,669</u>	<u>\$ 271,020</u>	<u>\$ 3,255,251</u>	<u>\$ 2,105,886</u>	<u>\$ 28,508,826</u>	<u>\$ 31,031,451</u>

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 2023 and 2022.

Investment income (losses) and expenses consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividend income	\$ 812,784	\$ 525,099
Gain (loss) on sales of investments	33,344	(313,711)
Investment broker fees	(132,567)	(139,185)
Unrealized gains (losses) on investments	2,989,039	(4,469,497)
Unrealized gains on land trust and limited liability company	(557,374)	704,102
Total realized and unrealized investment gains (losses), net	<u>\$ 3,145,226</u>	<u>\$ (3,693,192)</u>

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, 2023, the capitalization rate ranged from 4.7% to 5.50%. At December 31, 2022, the capitalization rate ranged from 3.9% to 4.70%.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 5 – INVESTMENTS – CONTINUED**

The 2023 and 2022 activity in the Real estate investment was as follows:

	2023	2022
Balance at the beginning of the year	\$ -	\$ -
Contribution of asset	570,000	-
Balance at the end of the year	<u>\$ 570,000</u>	<u>\$ -</u>

The 2023 and 2022 activity in the land trust was as follows:

	2023	2022
Balance at the beginning of the year	\$ 2,129,375	\$ 1,826,398
Adjustment to fair value	(233,562)	302,977
Balance at the end of the year	<u>\$ 1,895,813</u>	<u>\$ 2,129,375</u>

The 2023 and 2022 activity in the limited liability company was as follows:

	2023	2022
Balance at the beginning of the year	\$ 1,113,250	\$ 712,125
Adjustment to fair value	(323,812)	401,125
Balance at the end of the year	<u>\$ 789,438</u>	<u>\$ 1,113,250</u>

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, 2023, the Organization had unfunded commitments of approximately \$234,000.

**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 \$1,385,536 and \$1,324,358 as of December 31, 2023 and 2022, respectively. The Organization has not identified any events or changes in circumstance that would have an adverse effect on fair value.



**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 7 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of December 31, 2023 and 2022 consist of the following amounts:

	2023	2022
Capital campaign contributions due to Inland Empire House	160,000	360,300
Capital campaign contributions due to Orange County House	375,980	538,054
Capital campaign contributions due to Westside L.A. Program	1,049,750	339,500
Capital campaign contributions due to Ventura Program	18,000	24,000
Contributions receivable before adjustment to reported value	1,603,730	1,261,854
Less: adjustments to record contributions receivable at fair value		
Discount to present value	(94,703)	(17,467)
Allowance for credit losses	(40,095)	(31,547)
Total contributions receivable, net	<u>\$ 1,468,932</u>	<u>\$ 1,212,840</u>

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

Due in one year or less	\$ 779,259
Due in two to five years	689,673
	<u>\$ 1,468,932</u>

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, 2023 have been discounted at credit-adjusted rates ranging from 1.40% to 6.70% in accordance with ASC 820.

The Organization has established an allowance for credit losses 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, 2023, the campaign has raised approximately \$7.6 million. The balance of contributions receivable at December 31, 2023 of \$160,000 is scheduled to be received in 2024

The Orange County House began a capital campaign in 2018 to raise funds for the renovation of existing facilities. As of December 31, 2023, the campaign has raised approximately \$10.9 million. The balance of contributions receivable at December 31, 2023 of \$375,980 is scheduled to be received between 2024 and 2028.

The Ventura Family Room began a capital campaign in 2019 to raise funds for the construction of facilities. As of December 31, 2023, the campaign has raised approximately \$913,000. The balance of contributions receivable at December 31, 2023 of \$18,000 is scheduled to be received between 2024 and 2025.

The Westside Los Angeles Ronald McDonald House began a capital campaign in 2020 to raise funds for the construction of facilities. As of December 31, 2023, the campaign has raised approximately \$5 million. The balance of contributions receivable at December 31, 2024 of \$1,049,750 is scheduled to be received between 2024 and 2028.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 9 – LAND, BUILDINGS, AND EQUIPMENT**

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

	2023	2022
Construction projects in progress	\$ 15,554,662	\$ 6,083,668
Land	16,365,174	16,365,174
Buildings and improvements	63,105,376	62,854,363
Furniture and fixtures	5,929,554	5,547,310
Transportation equipment	294,897	259,034
Less: accumulated depreciation	(32,787,082)	(30,501,388)
	<u>\$ 68,462,581</u>	<u>\$ 60,608,161</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$2,286,721 and \$2,261,310, 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 \$37,848 and \$36,589 for the years ended December 31, 2023 and 2022, 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 \$870,769 and \$911,427 at December 31, 2023 and 2022, 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, 2023 and 2022.

**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 expired at various dates through December 2023 and do not include options to extend the initial lease term. During 2023 all leases converted to month-to-month leases and therefore the right-of-use assets and lease liabilities are both \$0 as of December 31, 2023.

Cash payments under operating leases were approximately \$121,217 and \$154,000 for the years ended December 31, 2023 and 2022, respectively.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 10 – COMMITMENTS AND CONTINGENCIES – Continued**

**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, 2023 were \$59,000 and \$26,000 for federal and state, respectively. For the year ended December 31, 2022 income tax provisions were \$47,073 and \$35,361 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 \$259,912 and \$244,997 in 2023 and 2022, 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, 2023 and 2022 the purpose restricted portion of net assets with donor restrictions are available for the following purposes:

	2023	2022
Orange County capital	\$ 10,875,800	\$ 10,583,051
Camp capital	3,871,445	3,871,445
Long Beach operations	816,365	1,380,427
Pasadena operations	140,865	458,381
Long Beach in-kind rent	870,791	911,427
Orange County operations	-	88,576
Bakersfield operations	684,096	693,401
Ventura-operations	3,250	184,173
West L.A.-capital	1,982,578	835,239
Scholarships – HACER	189,535	189,535
Pasadena purpose restricted contributions	1,366	2,892
Los Angeles purpose restricted contributions	-	48,275
Orange County purpose restricted contributions	418,020	53,613
Pasadena emergency fund	28,221	28,221
Long Beach purpose restricted contributions	18,784	29,773
Scholarships – Future Achievers	21,518	21,518
Scholarships – ASIA	148,992	133,716
Camp purpose restricted contributions	6,531	15,694
Central Office- Operations	289,174	383,495
Total purpose restricted portion of net assets with donor restrictions	<u>\$ 20,367,331</u>	<u>\$ 19,912,852</u>

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 13 – NET ASSETS – CONTINUED**

Restricted in Perpetuity Portion of Net Assets with Donor Restrictions

Restricted in perpetuity portion of net assets with donor restrictions at December 31, 2023 and 2022 are held in perpetuity for the various locations.

	2023	2022
Los Angeles House	\$ 1,568,830	\$ 1,349,028
Camp Ronald McDonald for Good Times	713,888	612,000
Orange County House	2,574,961	2,214,194
Inland Empire House	15,139	13,017
Total restricted in perpetuity portion of net assets with donor restrictions	<u>\$ 4,872,818</u>	<u>\$ 4,188,239</u>

Total Net Assets with donor restrictions at December 31, 2023 and 2022

	2023	2022
Restricted for a specified purpose	\$ 20,367,331	\$ 19,912,852
Restricted in perpetuity	<u>4,872,818</u>	<u>4,188,239</u>
Total net assets with donor restrictions	<u>\$ 25,240,149</u>	<u>\$ 24,101,091</u>

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.

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 14 – ENDOWMENTS – CONTINUED**

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 2023 or 2022.

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, 2023 and 2022 are as follows:

	December 31, 2023		
	Net Assets Without Restriction	Net Assets With Restriction	Total
Balance at December 31, 2022	\$ -	\$ 4,188,239	\$ 4,188,239
Contributions	-	2,450	2,450
Investment income	-	74,511	74,510
Investment broker fees	-	(28,274)	(28,274)
Net realized and unrealized gains	-	635,892	635,892
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 4,872,818</u>	<u>\$ 4,872,818</u>

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 14 – ENDOWMENTS – CONTINUED**

	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	-	(858,923)	(858,923)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 4,188,239</u>	<u>\$ 4,188,239</u>

All endowments at December 31, 2023 and 2022 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 5.65% to 6.71% in 2023, and was 6.71% as of December 31, 2023. The balance of the variable portion of the PLA was \$1,392 and \$1,392 at December 31, 2023 and 2022, 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, 2023 and 2022, \$3,004,711 of the note payable balance had a fixed interest rate of 3.33%. The fixed rate portion of the note is either due in full or switches back to a variable rate 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, 2023, 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 both the years ended December 31, 2023 and 2022, respectively.

City National Bank-West Los Angeles Loan

In December 2022, 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, 2023 was 5.3125%. The loan is collateralized by the gross revenues inclusive of all capital campaign pledges and proceeds associated with the West Los Angeles Capital Campaign. The proceeds of the Loan

**Ronald McDonald House Charities of Southern California**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**NOTE 15 – NOTES PAYABLE – CONTINUED**

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.

Principal maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 5,006,103
2025	2,000,000
2026	2,500,000
2027	2,500,000
2028	2,500,000
Thereafter	5,000,000
Total	<u>\$ 19,506,103</u>

**NOTE 16 – IN-KIND CONTRIBUTIONS AND EXPENSES**

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

	<u>2023</u>	<u>2022</u>
Automobile costs	\$ 3,642	\$ 4,165
Cleaning, gardening, housekeeping	720	2,880
Rent	37,848	36,589
Professional fees	6,070	140,610
Supplies	29,656	17,957
Vehicle	35,864	-
House	570,000	-
Total in-kind contributions	<u>\$ 683,800</u>	<u>\$ 202,201</u>

**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 2023 and 2022, the contribution from McDonald's Corporation and Independent McDonald Owner Operators through our local restaurant matching campaign was \$853,600 and \$964,972, respectively.

**NOTE 18 – SUBSEQUENT EVENTS**

During 2024 the Organization received an additional \$500,000 under the program-related investment loan from Unihealth Foundation.

The Organization evaluated its December 31, 2023 consolidated financial statements for subsequent events through August, 12 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 California**  
**COMBINING SCHEDULE OF FINANCIAL POSITION BY LOCATION**  
**For the year ended December 31, 2023**

	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
<b>Assets</b>											
<b><u>Current Assets</u></b>											
Cash	\$ 184,570	\$ 749,426	\$ 73,846	\$ 2,785,409	\$ -	\$ 524,270	\$ -	\$ 1,711,463	\$ 4,661	\$ 1,096,244	\$ 7,129,889
Other Receivables	522,737	-	24,205	8,267	-	3,940	94	574	1,000	314,082	874,899
Short Term Contributions Receivable (net)	-	-	-	337,340	156,000	-	269,344	-	16,575	-	779,259
Short-Term Investments	-	-	-	-	113,560	-	-	-	-	71	113,631
Prepaid Expenses and Other Assets	64,421	6,537	279,477	78,093	45,986	24,928	5,550	31,252	5,856	87,969	630,069
<b>Total Current Assets</b>	<b>\$ 771,728</b>	<b>\$ 755,963</b>	<b>\$ 377,528</b>	<b>\$ 3,209,109</b>	<b>\$ 315,546</b>	<b>\$ 553,138</b>	<b>\$ 274,988</b>	<b>\$ 1,743,289</b>	<b>\$ 28,092</b>	<b>\$ 1,498,366</b>	<b>\$ 9,527,747</b>
<b><u>Noncurrent Assets</u></b>											
Long Term Contributions Receivable (net)	-	-	-	21,055	-	-	667,753	-	865	-	689,673
Investments - at Fair Value	6,821,183	955,509	3,030,854	7,547,139	1,357,164	1,873,162	3,026,547	3,608,053	-	175,584	28,395,195
Investments - at Cost	-	-	-	-	-	-	-	-	-	1,385,536	1,385,536
Right-of-Use Assets - Operating Leases	-	-	-	-	-	-	-	-	-	-	-
Land, Buildings and Equipment (net)	9,376,733	343,676	11,158,098	13,751,787	9,992,316	68,357	19,921,587	2,569,466	1,205,541	75,020	68,462,581
Beneficial Use of Land and Buildings	-	-	-	-	-	-	-	870,769	-	-	870,769
<b>Total Noncurrent Assets</b>	<b>\$ 16,197,916</b>	<b>\$ 1,299,185</b>	<b>\$ 14,188,952</b>	<b>\$ 21,319,981</b>	<b>\$ 11,349,480</b>	<b>\$ 1,941,519</b>	<b>\$ 23,615,887</b>	<b>\$ 7,048,288</b>	<b>\$ 1,206,406</b>	<b>\$ 1,636,140</b>	<b>\$ 99,803,754</b>
<b>Total Assets</b>	<b>\$ 16,969,644</b>	<b>\$ 2,055,148</b>	<b>\$ 14,566,480</b>	<b>\$ 24,529,090</b>	<b>\$ 11,665,026</b>	<b>\$ 2,494,657</b>	<b>\$ 23,890,875</b>	<b>\$ 8,791,577</b>	<b>\$ 1,234,498</b>	<b>\$ 3,134,506</b>	<b>\$ 109,331,501</b>
<b>Liabilities</b>											
<b><u>Current Liabilities</u></b>											
Accounts Payable and Accrued Expenses	\$ 263,642	\$ 90,520	\$ 361,822	\$ 956,186	\$ 162,424	\$ 90,474	\$ 375,418	\$ 166,175	\$ 33,245	\$ 509,894	\$ 3,009,800
Lease Liabilities - Operating Leases	-	-	-	-	-	-	-	-	-	-	-
Notes Payables, Current	3,006,103	-	-	-	-	-	2,000,000	-	-	-	5,006,103
Inter-Entity Payables (receivables)	(135,688)	(119,047)	399,340	(284,485)	184,072	(116,380)	4,787,063	47,155	28,509	(4,790,539)	-
<b>Total Current Liabilities</b>	<b>3,134,057</b>	<b>(28,527)</b>	<b>761,162</b>	<b>671,701</b>	<b>346,496</b>	<b>(25,906)</b>	<b>7,162,481</b>	<b>213,330</b>	<b>61,754</b>	<b>(4,280,645)</b>	<b>8,015,903</b>
<b><u>Noncurrent Liabilities</u></b>											
Notes payables	-	-	-	-	-	-	14,500,000	-	-	-	14,500,000
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,500,000</b>
<b>Net Assets</b>											
Without Donor Restrictions	12,266,756	1,399,579	9,213,454	9,988,611	11,303,392	2,350,112	245,815	6,872,308	1,169,494	6,765,928	61,575,449
With Donor Restrictions	1,568,831	684,096	4,591,864	13,868,778	15,138	170,451	1,982,579	1,705,939	3,250	649,223	25,240,149
<b>Total Net Assets</b>	<b>13,835,587</b>	<b>2,083,675</b>	<b>13,805,318</b>	<b>23,857,389</b>	<b>11,318,530</b>	<b>2,520,563</b>	<b>2,228,394</b>	<b>8,578,247</b>	<b>1,172,744</b>	<b>7,415,151</b>	<b>86,815,598</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 16,969,644</b>	<b>\$ 2,055,148</b>	<b>\$ 14,566,480</b>	<b>\$ 24,529,090</b>	<b>\$ 11,665,026</b>	<b>\$ 2,494,657</b>	<b>\$ 23,890,875</b>	<b>\$ 8,791,577</b>	<b>\$ 1,234,498</b>	<b>\$ 3,134,506</b>	<b>\$ 109,331,501</b>

**Ronald McDonald House Charities of Southern California**  
**COMBINING SCHEDULE OF ACTIVITIES BY LOCATION**  
For the year ended December 31, 2023

	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
<b>Revenues and Support</b>											
Contributions	\$ 1,293,513	\$ 225,555	\$ 903,856	\$ 1,439,341	\$ 695,458	\$ 344,573	\$ 12,181	\$ 644,523	\$ 88,099	\$ 4,903,194	<b>\$ 10,550,293</b>
Capital campaigns	-	-	-	292,747	-	-	1,147,339	-	-	-	<b>1,440,086</b>
In-kind contributions	50,671	37,846	570,000	-	5,650	3,281	-	16,352	-	-	<b>683,800</b>
Special event revenues	595,305	554,014	785,726	640,993	549,264	432,224	101,298	943,915	87,030	350,866	<b>5,040,635</b>
Program fees	16,795	2,235	-	1,240	55,031	9,848	-	29,237	-	-	<b>114,386</b>
Rental and other income	145,167	159	303,799	127	6,265	1,072	6,600	829	-	1	<b>464,019</b>
Inter-entity	793,900	41,600	259,781	173,036	330,796	158,706	35,120	130,324	71,480	(1,994,743)	-
<b>Total Revenues and Support</b>	<b>2,895,351</b>	<b>861,409</b>	<b>2,823,162</b>	<b>2,547,484</b>	<b>1,642,464</b>	<b>949,704</b>	<b>1,302,538</b>	<b>1,765,180</b>	<b>246,609</b>	<b>3,259,318</b>	<b>18,293,219</b>
<b>Expenses</b>											
Programs	2,806,004	497,204	2,300,184	1,824,848	2,017,702	762,167	2,579,691	1,347,195	302,292	1,751,397	<b>16,188,684</b>
Management and general	420,071	41,421	153,063	117,597	147,198	66,735	63,854	152,070	9,032	525,158	<b>1,696,199</b>
Fundraising	423,144	62,276	263,166	296,273	448,915	132,792	253,442	265,551	4,849	882,579	<b>3,032,987</b>
Special Event cost of direct benefits to donors	235,130	228,054	256,081	222,163	116,929	147,273	29,967	483,770	39,879	161,587	<b>1,920,833</b>
<b>Total Expenses</b>	<b>3,884,349</b>	<b>828,955</b>	<b>2,972,494</b>	<b>2,460,881</b>	<b>2,730,744</b>	<b>1,108,967</b>	<b>2,926,954</b>	<b>2,248,586</b>	<b>356,052</b>	<b>3,320,721</b>	<b>22,838,703</b>
<b>Change in Net Assets from Operations</b>	<b>(988,998)</b>	<b>32,454</b>	<b>(149,332)</b>	<b>86,603</b>	<b>(1,088,280)</b>	<b>(159,263)</b>	<b>(1,624,416)</b>	<b>(483,406)</b>	<b>(109,443)</b>	<b>(61,403)</b>	<b>(4,545,484)</b>
<b>Nonoperating Activities</b>											
Investment returns, net	40,868	128,879	429,837	1,137,863	193,441	244,409	62	558,973	-	410,894	<b>3,145,226</b>
<b>Total Nonoperating Activities</b>	<b>40,868</b>	<b>128,879</b>	<b>429,837</b>	<b>1,137,863</b>	<b>193,441</b>	<b>244,409</b>	<b>62</b>	<b>558,973</b>	<b>-</b>	<b>410,894</b>	<b>3,145,226</b>
Change in net assets	(948,130)	161,333	280,505	1,224,466	(894,839)	85,146	(1,624,354)	75,567	(109,443)	349,491	<b>(1,400,258)</b>
Net assets - beginning	14,783,717	1,922,342	13,524,813	22,632,923	12,213,369	2,435,417	3,852,748	8,502,680	1,282,187	7,065,660	<b>88,215,856</b>
<b>Net assets - ending</b>	<b>\$ 13,835,587</b>	<b>\$ 2,083,675</b>	<b>\$ 13,805,318</b>	<b>\$ 23,857,389</b>	<b>\$ 11,318,530</b>	<b>\$ 2,520,563</b>	<b>\$ 2,228,394</b>	<b>\$ 8,578,247</b>	<b>\$ 1,172,744</b>	<b>\$ 7,415,151</b>	<b>\$ 86,815,598</b>