

**Ronald McDonald House Charities Bay Area**

Financial Statements

December 31, 2023  
(With Comparative Totals for 2022)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Ronald McDonald House Charities Bay Area  
Palo Alto, California

### **Opinion**

We have audited the accompanying financial statements of Ronald McDonald House Charities Bay Area (a California nonprofit corporation) ("RMHCBA"), which comprise the 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 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities Bay Area 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 of Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities Bay Area and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities Bay Area's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ronald McDonald House Charities Bay Area's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ronald McDonald House Charities Bay Area's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Ronald McDonald House Charities Bay Area's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Jose, California

June 20, 2024

Ronald McDonald House Charities Bay Area  
Statement of Financial Position  
December 31, 2023  
(With Comparative Totals for 2022)

	2023	2022
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 6,522,415	\$ 9,226,089
Contributions and other receivables	2,188,373	764,758
Prepaid expenses	90,078	82,717
Investments	4,149,945	867,612
Beneficial use of land	1,934,000	1,934,000
Other current assets	-	489,984
Total current assets	14,884,811	13,365,160
Property and equipment, net	36,899,823	37,317,304
Noncurrent assets		
Contributions and other receivables, net of allowance, discount and current portion	2,879,241	74,039
Investments, endowment	27,964,872	25,158,348
Beneficial use of land, net of current portion	18,819,185	19,081,361
Total noncurrent assets	49,663,298	44,313,748
Total assets	\$ 101,447,932	\$ 94,996,212
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 155,255	\$ 173,535
Accrued expenses	686,240	779,040
Total current liabilities	841,495	952,575
Net assets		
Without donor restrictions	52,873,268	52,718,604
With donor restrictions	47,733,169	41,325,033
Total net assets	100,606,437	94,043,637
Total liabilities and net assets	\$ 101,447,932	\$ 94,996,212

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

Ronald McDonald House Charities Bay Area  
Statement of Activities  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, gains, and other support				
Contributions	\$ 5,880,132	\$ 4,447,226	\$ 10,327,358	\$ 4,479,707
Special events revenue, net	482,193	-	482,193	564,821
Loan forgiveness - Paycheck Protection Program	-	-	-	609,415
Donated goods and services	1,625,684	1,671,828	3,297,512	5,469,360
Program services revenue	79,342	-	79,342	51,257
Employee retention tax credit	-	-	-	216,986
Other income	254,756	-	254,756	100,885
Net assets released from restriction	<u>3,252,427</u>	<u>(3,252,427)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>11,574,534</u>	<u>2,866,627</u>	<u>14,441,161</u>	<u>11,492,431</u>
Functional expenses				
Program services	10,173,304	-	10,173,304	9,541,725
Management and administrative	925,040	-	925,040	714,209
Fundraising	<u>1,132,109</u>	<u>-</u>	<u>1,132,109</u>	<u>1,263,335</u>
Total functional expenses	<u>12,230,453</u>	<u>-</u>	<u>12,230,453</u>	<u>11,519,269</u>
Change in net assets from operations	(655,919)	2,866,627	2,210,708	(26,838)
Net investment income (loss)	<u>810,583</u>	<u>3,541,509</u>	<u>4,352,092</u>	<u>(5,365,964)</u>
Change in net assets	154,664	6,408,136	6,562,800	(5,392,802)
Net assets, beginning of year	<u>52,718,604</u>	<u>41,325,033</u>	<u>94,043,637</u>	<u>99,436,439</u>
Net assets, end of year	<u>\$ 52,873,268</u>	<u>\$ 47,733,169</u>	<u>\$100,606,437</u>	<u>\$ 94,043,637</u>

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

Ronald McDonald House Charities Bay Area  
Statement of Functional Expenses  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

	Program Services	Management and Administrative	Fundraising	2023 Total	2022 Total
Personnel costs					
Salaries	\$ 2,317,832	\$ 421,378	\$ 588,057	\$ 3,327,267	\$ 2,907,992
Payroll taxes	191,801	28,073	48,830	268,704	227,112
Employee benefits	395,727	48,867	86,946	531,540	496,280
Total personnel costs	<u>2,905,360</u>	<u>498,318</u>	<u>723,833</u>	<u>4,127,511</u>	<u>3,631,384</u>
Advertising	58,575	8,493	14,912	81,980	72,920
Automobile	10,719	-	-	10,719	10,167
Cleaning service	40,307	831	416	41,554	27,783
Depreciation	1,550,532	10,032	15,830	1,576,394	1,541,446
Donor acquisition	-	-	73,639	73,639	80,023
Donor recognition	-	-	11,985	11,985	30,500
Donor special events	-	-	55,390	55,390	51,054
Expansion costs	108,935	98,811	30,061	237,807	99,856
House supplies - other	2,148,027	355	4,159	2,152,541	2,326,213
Insurance	90,970	2,328	1,013	94,311	86,416
Linens and laundry	32,817	106	53	32,976	35,677
Meetings and trainings	39,260	13,057	9,446	61,763	34,476
Office supplies	6,567	660	1,160	8,387	10,840
Outside contractors	229,780	31,105	38,820	299,705	113,950
Postage	1,241	434	2,672	4,347	8,550
Professional fees	3,175	154,418	2,242	159,835	191,603
Printing	664	96	169	929	1,475
Rent, imputed	2,166,984	44,680	22,340	2,234,004	2,234,004
Technology	100,418	40,807	68,042	209,267	226,861
Repairs and maintenance	233,094	5,449	3,256	241,799	224,914
Telephone	47,754	1,540	1,583	50,877	52,284
Travel, meals and entertainment	10,969	1,590	2,792	15,351	23,709
Utilities	233,691	5,656	2,195	241,542	217,959
Volunteer	18,691	2,264	3,975	24,930	5,330
Other	134,774	4,010	42,126	180,910	179,875
	<u>\$ 10,173,304</u>	<u>\$ 925,040</u>	<u>\$ 1,132,109</u>	<u>\$ 12,230,453</u>	<u>\$ 11,519,269</u>

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

Ronald McDonald House Charities Bay Area  
Statement of Cash Flows  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 6,562,800	\$ (5,392,802)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,576,394	1,541,446
Realized and unrealized (gains) losses on investments	(3,474,648)	5,991,913
Loan forgiveness - Paycheck Protection Program	-	(609,415)
Changes in operating assets and liabilities		
Contributions and other receivables, net	(3,738,833)	(144,631)
Prepaid expenses	(7,361)	431
Other current assets	-	(489,984)
Beneficial use of land	262,176	242,148
Accounts payable	(18,280)	20,589
Accrued expenses	(92,800)	37,164
Net cash provided by operating activities	1,069,448	1,196,859
Cash flows from investing activities		
Purchases of investments	(30,376,096)	(802,743)
Proceeds from the sales of investments	27,761,887	1,367,171
Purchases of property and equipment	(1,158,913)	(1,916,867)
Net cash used in investing activities	(3,773,122)	(1,352,439)
Net decrease in cash and cash equivalents	(2,703,674)	(155,580)
Cash and cash equivalents, beginning of year	9,226,089	9,381,669
Cash and cash equivalents, end of year	\$ 6,522,415	\$ 9,226,089

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



Ronald McDonald House Charities Bay Area  
Notes to Financial Statements  
December 31, 2023

1. NATURE OF OPERATIONS

On January 1, 2018, the three local entities, Ronald McDonald House at Stanford, Ronald McDonald House of San Francisco and Ronald McDonald House Charities of the Bay Area, Inc. merged into one organization to better support families with children receiving essential pediatric care at partner hospitals. As part of this merger, the Board of Directors ("Board") amended the articles of incorporation, changing the name of the newly formed entity to Ronald McDonald House Charities Bay Area ("RMHCBA").

The mission of RMHCBA is to be there for sick kids and their families, providing comfort and support when and where they need it most. Our vision is a world where every sick child has the care they need, surrounded by family and a community they can count on. RMHCBA programs aim to reduce the emotional and financial burden of families accessing critical pediatric care in the Bay Area by providing wraparound services that strengthen the family support systems sick children rely on. Services include providing housing near our partner hospitals, daily meals, and psychosocial support services. RMHCBA serves an often invisible population of at-risk children and caregivers who require basic needs support and specialized family-centered services to access treatments at our partner hospitals and cope with serious medical crises, such as solid organ transplants, cancer treatments, and other life-threatening or life-limiting disorders. In 2023, 69% of our families were low-income, meeting CalFresh Supplemental Nutrition Assistance Program income eligibility guidelines. Based on recent program research conducted with the Stanford School of Medicine, nearly half of families reported having to stop/reduce work to care for their sick child and 56% of families reported household food insecurity.

As a result of increased demand for RMHCBA services, in 2023, RMHCBA launched a three-year, \$30 million expansion campaign to serve thousands more families across the Bay Area. Through this expansion, we aim to: (1) double the impact of our meal program and tackle food insecurity experienced during a child's hospitalization; (2) establish new in-hospital spaces at each of our partner hospitals, to deliver support services steps away from patient care, (3) implement Oakland's first comprehensive Ronald McDonald House program to meet the needs of UCSF's growing sickle cell and cancer treatment programs, and (4) build a strategic growth fund to respond to emerging opportunities, including expanding sibling support services. In 2023, RMHCBA received contributions of approximately \$6,500,000 towards this campaign, which are included as contributions on the accompanying statement of activities.

The following programs represent the core functions of RMHCBA:

Ronald McDonald House Charities Bay Area  
Notes to Financial Statements  
December 31, 2023

1. NATURE OF OPERATIONS (continued)

Family housing near partner hospitals

To enable access to the Bay Area's leading children's hospitals, RMHCBA's Ronald McDonald House programs ("RMH") offer short and long-term lodging, daily meal support, psychosocial support services, recreational and wellness activities and educational programming for siblings and patients. RMHCBA programs include the 123-bedroom Ronald McDonald House at Stanford ("RMH Stanford"), located near Lucile Packard Children's Hospital Stanford ("LPCH"), as well as our Ronald McDonald House of San Francisco ("RMHSF"), which is located inside UCSF Benioff Children's Hospital ("BCH") San Francisco. In 2023, we opened our new 7-bedroom Ronald McDonald House Oakland ("RMH Oakland"), located across the street from BCH Oakland. Additionally, RMHCBA offers alternative family stays thanks to housing and hotel partnerships across the Bay Area.

In 2023, we provided 38,400 overnight stays to help keep families close to their hospitalized children. Our primary target population for housing services is families who must travel long distances (50 miles or more) to access critical pediatric care, as well as any family, regardless of distance, whose child is awaiting heart, lung, liver, kidney, stem cell, or bone marrow transplants. We also serve families from medically underserved communities across the United States who need advanced, highly specialized levels of medicine that are not widely accessed in their home communities.

Meal support

The aim of RMHCBA's meal program for families with children at our partner hospitals is to alleviate food insecurity for families with sick children, as food access and race- and income-based health disparities are inextricably linked. With the significant role children's hospitals play in caring for low-income children, families often do not have the time or resources to access food during their children's prolonged hospital stays. In 2023, we served more than 104,000 meals to families of sick kids accessing care through our programs at RMH Stanford and in-hospital weekday meal programs at BCH San Francisco and BCH Oakland.

Psychosocial support and other programs

Our innovative Family Support Services ("FSS") provides therapeutic support to families, connecting parents and children to supportive resources and helping them develop positive coping and communication skills through: new family welcome meetings; private individual and group support sessions; developmentally-appropriate Fun Club activities for patients, siblings and caregivers; parent workshops; and peer-to-peer community-building events. FSS also provides staff and volunteer trainings to improve overall service delivery. Our grief and loss program provides support for families who lose a child for up to two years after they return home to their communities.

Ronald McDonald House Charities Bay Area  
Notes to Financial Statements  
December 31, 2023

1. NATURE OF OPERATIONS (continued)

Psychosocial support and other programs (continued)

In partnership with LPCH and Palo Alto Unified School District, RMHCBA operates a credentialed K-12 Ronald McDonald House School for patients who are unable to attend other schools locally during their prolonged treatments, e.g., awaiting solid organ transplants or undergoing specialized dialysis. Our school teacher, art instructor, and drama teacher provided instruction and activities virtually as well as socially distanced one-on-one sessions, in both English and Spanish. In 2023, we enrolled 168 students.

In a typical year, the Day Pass Program runs daily from 7am-7pm at RMH Stanford and RMH Oakland, allowing the families to enjoy the comfort and amenities of RMH, including the community kitchen, age-appropriate activity rooms, free laundry facilities, showers, restorative family activities, food, and more. To protect medically fragile children and families from COVID-19 exposure, the Day Pass Programs were suspended in 2020 and relaunched in 2023. In 2023, the Day Pass program had 5,016 registrations.

Our volunteer-run Happy Wheels hospitality carts bring comfort and care directly to families' bedside. Volunteers travel through the common areas and units provide hot beverages, snack service, and hygiene kits while keeping children entertained with books, fun activities and toys. Due to hospital COVID-19 restrictions, Happy Wheels carts were suspended in 2020 and relaunched in 2023, supporting 893 children and 773 adults (with the support of 158 volunteer hours).

Ronald McDonald Care Mobile

The Ronald McDonald Care Mobile ("RMCM") program provides oral health services to low-income children who would otherwise go without care. Through partnerships with local healthcare organizations, our RMCM programs in the South and East Bay Area are bringing essential oral health care services and education directly to those in need so that children facing socioeconomic and cultural barriers to care can receive high quality convenient dental services and education. Each partner plays a critical role in providing RMCM services. RMHCBA supports this program through annual operating grants and providing the mobile clinic facility. Clinical partners and health care organizations provide dental screenings and services, patient registration, assistance with benefit enrollment, and assistance identifying and establishing a connection to a dental and medical home for the child and the family. Health care partners also manage the mobile clinic and program coordination.

Ronald McDonald House Charities Bay Area  
Notes to Financial Statements  
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented based on net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created by donor-imposed restrictions on their use or inherent time restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as contributions without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with original maturity dates of three months or less and exclude cash held in managed investment accounts or certificates of deposit.

Contributions and other receivables

Unconditional promises to give are recorded at their net realizable value. If such promises to give are due in more than one year, they are discounted to the present value of their estimated future cash flows using a discount rate commensurate with the risks involved. The discount rate used by management for contributions and other receivables at December 31, 2023 approximated 4.00%. Reserves for potential uncollectible contributions receivable are maintained based on historical credit losses and management's expectations.

Ronald McDonald House Charities Bay Area  
Notes to Financial Statements  
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial use of land

The RMH Stanford and its facilities are located on a leased parcel of land for which the rental payments are below market rates (see Note 5). The arrangement was recognized as a contribution at inception, and the difference between fair rental value and the stated lease payments is recognized as a lease contribution receivable and is included in beneficial use of land on the statement of financial position. The receivable has been discounted to its net present value using a discount rate of approximately 8.00% and is amortized to in-kind rent expense. The discount is amortized to donated goods and services revenue over the term of the lease.

Investments

Investments consist of money market funds, U.S. Treasury bills, marketable equity securities and debt securities and are stated at fair values using quoted market prices. Unrealized and realized gains and losses include investment management fees and are reflected as net investment income (loss) on the statement of activities.

U.S. Treasury bills and notes with maturities of three months or less at the time of purchase are classified as cash equivalents, while those with maturities exceeding three months are classified as short-term investments. Treasury bills are classified as held-to maturity and are recorded at amortized cost, which approximates fair value due to their short-term nature.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, the RMHCBA uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. Observable inputs are inputs market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the RMHCBA. Unobservable inputs are inputs that reflect the RMHCBA's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- *Level 1* - Investments include quoted prices (unadjusted) in active markets for identical investments RMHCBA has the ability to access at the measurement date.
- *Level 2* - Investments include other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment terms, credit risk, etc.).
- *Level 3* - Investments include significant unobservable inputs (including RMHCBA's own assumptions in determining fair value instruments).

Ronald McDonald House Charities Bay Area  
Notes to Financial Statements  
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The category within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Property and equipment

Property and equipment are recorded at cost, if purchased, and at estimated fair value, if donated, provided there is an objective basis for determining the value. Depreciation is calculated on the straight-line basis using an estimated useful life of 5 to 7 years for furniture and equipment and 30 and 32 years for the renovated and new buildings, respectively.

Expenditures for major renewals and betterments are capitalized, while expenditures for maintenance and repairs, which do not improve assets or extend their useful lives, are charged to expense as incurred. When property is retired, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized.

Long-lived assets

Long-lived assets are reviewed for impairment periodically and whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets' carrying value is adjusted to fair value.

Contributions and revenue

Contributions, including unconditional promises to give, are recognized as revenues, at fair value, in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is, when the barrier for which they depend is achieved and the right of return or release has been overcome. Special event revenue is recognized when the event is held. Goods and services donated for the special events are recognized as in-kind revenue and expense at their estimated fair value on the date donated.

Donated stock, materials and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Absent explicit donor stipulations about how long those long-lived assets must be maintained, RMHCBA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Ronald McDonald House Charities Bay Area  
Notes to Financial Statements  
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and revenue (continued)

RMHCBA is the beneficiary under various wills and trust agreements. Such amounts are recognized in the RMHCBA's financial statements as bequests receivable and planned gifts when they become unconditional, clear title is established, and the proceeds are measurable. As of December 31, 2023, no bequests receivable are outstanding.

Donated goods and services

Donated goods and services are reflected at the fair value of the contribution received. The contributions of goods and services are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Volunteer services

For the year ended December 31, 2023, RMHCBA benefited from approximately 3,580 hours of volunteer assistance. The value of this contributed time is not reflected in these financial statements because the criteria for recognition have not been met.

Functional expense allocation

Costs of providing RMHCBA's programs and other activities have been allocated between program services, management and administrative, and fundraising functional expenses based upon employees' estimated time spent in each function and an allocation based upon square footage of facilities used.

Income tax status

RMHCBA has been granted tax-exempt status under Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code. In addition, RMHCBA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. However, RMHCBA is subject to taxes on income, if any, that is unrelated to its exempt purpose. RMHCBA evaluated its current tax positions and has concluded that as of December 31, 2023, RMHCBA does not have any significant uncertain tax positions for which a reserve would be necessary.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with RMHCBA's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Ronald McDonald House Charities Bay Area  
Notes to Financial Statements  
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no net effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amounts previously presented.

Subsequent events

RMHCBA evaluated subsequent events through June 20, 2024, the date these financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of RMHCBA's financial statements.

3. CONTRIBUTIONS AND OTHER RECEIVABLES, NET

Contributions and other receivables, net consist of the following at December 31, 2023:

Program expansion campaign	\$ 4,580,000
General purposes	<u>1,015,047</u>
	5,595,047
Allowance for uncollectible receivables	(200,274)
Discount to net present value	<u>(327,159)</u>
	<u>\$ 5,067,614</u>

Contributions and other receivables are anticipated to be collected as follows:

Within 1 year	\$ 2,188,373
From 1 to 5 years	<u>2,879,241</u>
	<u>\$ 5,067,614</u>

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, RMHCBA's assets at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ 49,412	\$ -	\$ -	\$ 49,412
U.S. Treasury bills and notes	7,628,262	-	-	7,628,262
Debt securities	-	5,917,813	-	5,917,813
Equity securities	<u>18,519,330</u>	<u>-</u>	<u>-</u>	<u>18,519,330</u>
	<u>\$ 26,197,004</u>	<u>\$ 5,917,813</u>	<u>\$ -</u>	<u>\$ 32,114,817</u>



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5. BENEFICIAL USE OF LAND

The RMH Stanford is located on a leased parcel of land in Palo Alto, California. The terms of the lease require an annual rental payment of \$1.00 through the year 2048. In 2014, RMHCBA recognized as revenue and a related asset the difference between the fair rental value of the property and the present value of the stated amount of the lease payment at the date of contribution.

Beneficial use of land consisted of the following:

Beneficial use of land	\$ 47,469,954
Less: discount to net present value	<u>(26,716,769)</u>
	20,753,185
Less: current portion	<u>(1,934,000)</u>
	<u>\$ 18,819,185</u>

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Non-depreciable assets	
Artwork and other	<u>\$ 169,935</u>
Depreciable assets	
Building	53,757,685
Furniture and equipment	<u>1,103,200</u>
	<u>54,860,885</u>
Accumulated depreciation	<u>(18,130,997)</u>
	<u>\$ 36,899,823</u>

Depreciation expense totaled \$1,576,394 for the year ended December 31, 2023.

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions include the following Board-designations:

General endowment fund (Note 9)	\$ 5,464,322
Program expansion initiatives	1,630,605
Building maintenance	<u>560,000</u>
	<u>\$ 7,654,927</u>

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Beneficial use of land	\$ 20,753,185
Time restrictions - Program expansion campaign	4,080,080
Time or purpose restrictions	399,354
Subject to RMHCBA's spending policy and appropriation:	
Amounts required to be maintained in perpetuity	9,803,356
Unexpended endowment earnings	<u>12,697,194</u>
	<u><u>\$ 47,733,169</u></u>

Net assets with donor restrictions released during the year were as follows:

Beneficial use of land	\$ 1,934,000
Appropriation of endowment earnings	1,039,900
Program expansion campaign	67,664
Other various purpose restrictions	<u>210,863</u>
	<u><u>\$ 3,252,427</u></u>

9. ENDOWMENT

RMHCBA's endowment consists of four individual funds established by donors to provide annual funding for general operations. Its endowment includes donor-restricted endowment funds and Board-designated endowment funds.

Interpretation of relevant law

The Board of RMHCBA has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RMHCBA classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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9. ENDOWMENT (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the RMHCBA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return objectives and risk parameters

RMHCBA has adopted investment and spending policies for endowment assets with the philosophy that RMHCBA is to exist in perpetuity, and therefore, should provide for spending in perpetuity. To attain this goal, the overriding objective of RMHCBA is to maintain purchasing power while preserving the endowment corpus. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to grow the aggregate portfolio value at the rate of the Bay Area Consumer Price Index plus 4.5% over RMHCBA's investment horizon while assuming a moderate level of investment risk. RMHCBA expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, RMHCBA relies on a total return strategy in which investment returns are achieved through both capital and appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy and how the investment objectives relate to the spending policy

RMHCBA has a policy that provides the Board the discretion to spend up to 4.5% of the three year rolling average of the actual fund's value. In establishing this policy, RMHCBA considered the long-term expected return on its endowment. Accordingly, over the long term, RMHCBA expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with RMHCBA's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns. Additionally, the Board also considers the guidance of UPMIFA in determining the annual spending allocation which provides a prudent spending allocation of up to 7% of the prior three year average. During 2023, the Board appropriated \$1,278,000, representing 4.5% of the prior three year average, for expenditure on operations.

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9. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of December 31, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 5,464,322	\$ -	\$ 5,464,322
Donor-restricted endowment funds	<u>-</u>	<u>22,500,550</u>	<u>22,500,550</u>
	<u>\$ 5,464,322</u>	<u>\$ 22,500,550</u>	<u>\$ 27,964,872</u>

Changes in endowment net assets for the year ended December 31, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, December 31, 2022	<u>\$ 5,159,407</u>	<u>\$ 19,998,941</u>	<u>\$ 25,158,348</u>
Investment return			
Investment income	79,082	522,481	601,563
Net realized/unrealized gains on investments	<u>463,933</u>	<u>3,019,028</u>	<u>3,482,961</u>
Total investment return	543,015	3,541,509	4,084,524
Amounts appropriated for expenditure	<u>(238,100)</u>	<u>(1,039,900)</u>	<u>(1,278,000)</u>
	<u>304,915</u>	<u>2,501,609</u>	<u>2,806,524</u>
Balance, December 31, 2023	<u>\$ 5,464,322</u>	<u>\$ 22,500,550</u>	<u>\$ 27,964,872</u>

10. DONATED GOODS AND SERVICES

Donated goods and services consisted of the following:

Beneficial use of land, Stanford	\$ 1,671,828
Donated meals	895,345
Donated rent, San Francisco	300,000
Cleaning services and supplies	293,019
Toys, games and family events	78,777
Professional services and other	<u>58,543</u>
	<u>\$ 3,297,512</u>

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10. DONATED GOODS AND SERVICES (continued)

Beneficial use of land is valued based on the present value of the stated amount of the lease payment at the date of contribution (see Note 5). Donated rent is valued based on the fair market value of the related lease payments (see Note 11).

Donated meals, cleaning supplies, toys, games and family events are valued at the estimated fair value of the respective item based on estimated values that would be received for selling similar products. Cleaning and professional services are valued based on the estimated hourly rate that would be paid for these services in the local area.

11. COMMITMENTS

RMHCBA leases its facility in the Mission Bay district of San Francisco, California under an operating lease with The Regents of the University of California, on behalf of UCSF through the original expiration date of February 2020. The lease agreement was extended upon expiration, with the lease continuing on an annual basis in one year terms, unless otherwise terminated. The lease agreement provides for RMHCBA to pay an annual lease payment of \$1.00. Accordingly, RMHCBA reports the fair market value of the rent as a donation to match with the expense on an annual ongoing basis. The difference between the fair market value of the rent and actual rent paid is recorded as a contribution received and rent expense. For the year ended December 31, 2023, the value of the donated rent was approximately \$300,000 (Note 10).

12. RETIREMENT PLAN

RMHCBA maintains a tax deferred 403(b) plan for all eligible employees (the "Plan"). After 12 months of service, RMHCBA generally contributes 5% of eligible full time employees' compensation beginning with their respective Plan entry date. RMHCBA made contributions of \$111,787 to the Plan for the year ended December 31, 2023. RMHCBA paid \$14,445 for the Plan's administration costs during the year ended December 31, 2023.

13. RELATED PARTY TRANSACTIONS

RMHCBA received approximately \$191,000 in donations from Board members and staff in 2023.

14. CONCENTRATIONS OF RISK

RMHCBA has defined its financial instruments which are potentially subject to credit risk as cash, receivables, and investments.

At December 31, 2023, RMHCBA had cash deposits in excess of federally insured limits. RMHCBA attempts to limit its credit risk associated with cash equivalents and marketable securities by utilizing outside advisors and managers to place its investments with highly rated corporate and financial institutions. Investments are subject to a formal investment policy.

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14. CONCENTRATIONS OF RISK (continued)

The majority of RMHCBA's revenue is derived from public and private donations, along with several fundraising events held throughout the year. The success of these events could vary from year to year. Contributions and other receivables are due from various individuals which mitigate the risk associated therein.

RMHCBA had three donors that accounted for approximately 83% of contribution and other receivables and one donor that accounted for approximately 38% of contribution revenue during the year ended December 31, 2023.

15. LIQUIDITY AND FUNDS AVAILABLE

RMHCBA has financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, which are comprised of \$6,522,415 of cash and cash equivalents, \$4,149,945 of investments and \$2,188,373 of receivables. Included in investments are \$3,916,619 of U.S. Treasury bills with original maturities of six months. The remaining investments held have no redemption restrictions and may be liquidated as needed. None of these available financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Board has designated \$1,630,605 of cash for future program expansion initiatives and \$560,000 of cash to provide funding for replacement of long-term capital assets.

As part of its liquidity management, RMHCBA 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.

RMHCBA's endowment funds consist of donor-restricted and Board-designated endowment funds. Income from donor-restricted endowment funds is restricted for specific purposes and, therefore, not available for general expenditure. RMHCBA has Board-designated endowment funds of \$5,464,322 at December 31, 2023. Although RMHCBA does not intend to spend from its Board-designated endowment funds other than the amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its Board-designated endowment could be made available, if necessary.