Ronald McDonald House Charities®
San Diego

FINANCIAL STATEMENTS

DECEMBER 31, 2025

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

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

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

Opinion

We have audited the accompanying financial statements of Ronald McDonald House Charities of San Diego, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, 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 2025 financial statements referred to above present fairly, in all material respects, the financial position of Ronald McDonald House Charities of San Diego, Inc. as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ronald McDonald House Charities of San Diego, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited Ronald McDonald House Charities of San Diego, Inc's 2024 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
August 12, 2026

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2024)

ASSETS

	2025	2024
Assets: (Notes 2, 4, 5, 6, 7, 8, 9 and 17)		
Cash and cash equivalents	$ 3,611,983	$ 4,643,295
Investments	22,934,191	21,578,621
Contributions receivable, net	5,555,096	2,082,579
Notes receivable, net	411,201	-
In-kind and other receivables	1,500,077	1,676,230
Prepaid expenses and other assets	339,605	345,567
Right-of-use assets - operating leases, net	6,648	13,580
Property and equipment, net	27,360,093	24,585,951
TOTAL ASSETS	$ 61,718,894	$ 54,925,823

LIABILITIES AND NET ASSETS

	2025	2024
Liabilities: (Notes 2, 9 and 17)		
Accounts payable and accrued expenses	$ 1,290,740	$ 849,478
Deferred revenue	63,162	20,904
Operating lease liability	6,557	13,834
Note payable	2,879,408	3,978,168
Total Liabilities	4,239,867	4,862,384
Commitments and Contingencies (Notes 10, 16, 17 and 18)		
Net Assets: (Notes 2, 11, 12 and 13)		
Without Donor Restrictions:		
Undesignated	33,477,534	31,991,531
Board designated reserve fund	4,930,200	4,197,583
Board designated endowment	4,425,074	3,759,548
Total Net Assets Without Donor Restrictions	42,832,808	39,948,662
With Donor Restrictions:		
Purpose restriction	7,393,555	3,458,533
Perpetual in nature	7,252,664	6,656,244
Total Net Assets With Donor Restrictions	14,646,219	10,114,777
Total Net Assets	57,479,027	50,063,439
TOTAL LIABILITIES AND NET ASSETS	$ 61,718,894	$ 54,925,823

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

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025	2024
Revenue and Support:				
Contributions	$ 2,951,219	$ 8,991,814	$ 11,943,033	$ 8,434,359
Special events, (net of direct expenses of $2,355,112 and $2,332,819 for 2025 and 2024, respectively)	4,382,395	-	4,382,395	4,689,471
Investment income	2,182,828	824,335	3,007,163	3,385,096
In-kind contributions	953,557	423,135	1,376,692	1,534,658
Program and other revenue	271,598	-	271,598	390,491
Grants	-	1,691	1,691	28,492
Loss on disposal of property and equipment	(6,539)	-	(6,539)	(32,946)
Net assets released from restrictions	5,709,533	(5,709,533)	-	-
Total Revenue and Support	16,444,591	4,531,442	20,976,033	18,429,621
Expenses:				
Program services	6,462,148	-	6,462,148	5,976,468
Supporting Services:				
Management and general	1,468,614	-	1,468,614	1,061,383
Fundraising	5,629,683	-	5,629,683	5,154,716
Total Supporting Services	7,098,297	-	7,098,297	6,216,099
Total Expenses	13,560,445	-	13,560,445	12,192,567
Change in Net Assets	2,884,146	4,531,442	7,415,588	6,237,054
Net Assets at Beginning of the Year	39,948,662	10,114,777	50,063,439	43,826,385
NET ASSETS AT END OF YEAR	$ 42,832,808	$ 14,646,219	$ 57,479,027	$ 50,063,439

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

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	2025	2024
Salaries and payroll taxes	$ 2,682,080	$ 766,068	$ 1,985,200	$ 2,751,268	$ 5,433,348	$ 5,301,346
Donated goods and services	931,462	4,371	414,731	419,102	1,350,564	1,529,301
Depreciation	1,235,475	2,230	42,120	44,350	1,279,825	1,112,837
Advertising and promotion	-	-	926,249	926,249	926,249	651,258
Professional, consulting and legal	122,295	404,144	147,028	551,172	673,467	612,577
Outside services	125,332	1,482	345,495	346,977	472,309	439,439
Printing and graphic design	1,324	52	440,143	440,195	441,519	393,625
Events	8,435	1,144	430,407	431,551	439,986	217,126
Utilities	343,829	11,411	34,079	45,490	389,319	361,916
Maintenance and repairs	255,510	19,133	70,982	90,115	345,625	259,108
Postage and shipping	3,093	855	335,342	336,197	339,290	318,803
Facility and equipment	196,995	9,800	47,997	57,797	254,792	56,548
Supplies	186,297	1,185	53,678	54,863	241,160	223,751
Merchant fees	2,629	4,513	198,088	202,601	205,230	186,489
Taxes and other corporate expenses	-	205,122	-	205,122	205,122	5,500
Insurance	153,511	6,055	38,265	44,320	197,831	184,824
Interest expense	144,001	460	2,009	2,469	146,470	193,493
Bad debt expense	8,305	-	54,456	54,456	62,761	26,000
Travel, dues and entertainment	12,538	2,070	39,918	41,988	54,526	52,058
Miscellaneous	7,092	25,272	11,020	36,292	43,384	36,914
Employee/volunteer development	21,585	3,247	12,380	15,627	37,212	27,661
Program expense	20,360	-	96	96	20,456	1,993
TOTAL EXPENSES	$ 6,462,148	$ 1,468,614	$ 5,629,683	$ 7,098,297	$ 13,560,445	$ 12,192,567

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

RONALD MCDONALD HOUSE CHARITIES OF SAN DIEGO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	$ 7,415,588	$ 6,237,054
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,279,825	1,112,837
Amortization of debt issuance costs	569	569
Net realized and unrealized gain on investments	(2,384,788)	(2,672,866)
Loss on disposal of property and equipment	6,539	32,946
In-kind contributions of investments	(60,591)	(29,524)
In-kind contribution of notes receivable, net	(411,201)	-
Bad debt expense	62,761	26,000
Amortization of right-of-use assets – operating leases	6,932	9,966
(Increase) Decrease in:		
Contributions receivables, net	(3,428,086)	596,049
In-kind and other receivables	176,153	168,899
Prepaid expenses and other assets	(101,229)	(136,154)
Increase (Decrease) in:		
Accounts payable and accrued expenses	441,262	55,030
Deferred revenue	42,258	20,904
Operating lease liability	(7,277)	(9,605)
Net Cash Provided by Operating Activities	3,038,715	5,412,105
Cash Flows From Investing Activities:		
Purchase of investments, net	(10,966,936)	(6,085,895)
Proceeds from maturities and sales of investments	12,056,744	8,747,053
Purchase of property and equipment	(4,060,506)	(6,304,559)
Net Cash Used in Investing Activities	(2,970,698)	(3,643,401)
Cash Flows From Financing Activities:		
Payments on note payable	(1,099,329)	(1,052,478)
Net Cash Used in Financing Activities	(1,099,329)	(1,052,478)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,031,312)	716,226
Cash and Cash Equivalents at Beginning of Year	4,643,295	3,927,069
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,611,983	$ 4,643,295
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 145,901	$ 192,923
Income tax paid	$ -	$ 5,500
In-kind contributions of goods and services	$ 1,376,692	$ 1,534,658
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 7,644	$ 17,447

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

Note 1 - Organization:

Ronald McDonald House Charities of San Diego, Inc. (the "Organization") is a not-for-profit corporation organized in California in 1978. The Organization's mission is to provide comfort, strength, and stability by offering a "home-away-from-home" for families with children being treated for serious, often life-threatening conditions at local San Diego hospitals. The Organization operates a total of 82 guest bedrooms and provides meals and other support services for guest families as well as for day visitor families with children at local hospitals. At the Organization's main facility (the "House") there are 74 bedrooms. There are 8 additional bedrooms located at a smaller facility (the "North House"). The Organization was able to provide 28 additional bedrooms out of the 74 bedrooms at the House during the second half of 2025 due to new construction that started in 2024 and was completed and ready for guests' occupation in July 2025. At construction completion, the Organization now has 82 rooms available for family lodging.

Note 2 - Significant Accounting Policies:

Accounting Method

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

Financial Statement Presentation

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

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions. The governing board has designated from net assets without donor restrictions, a board-designated endowment.

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

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

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements

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

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

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

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

Allowance for Credit Losses

The Organization recognizes an allowance for credit losses on other and notes receivable to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statement of financial position date, aging reports and historical information. Other and notes receivable are written off when the Organization determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. The allowance for credit losses totaled $45,689 and $-0- at December 31, 2025 and 2024, respectively.

Allowance for Uncollectible Contributions Receivable

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding contributions receivable. The allowance for uncollectible contributions receivable totaled $8,305 and $26,000 at December 31, 2025 and 2024, respectively.

Capitalization and Depreciation

The Organization capitalizes expenditures in excess of $2,500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

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

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

The Organization capitalizes costs incurred during the application development stage related to internally developed software. Once the capitalization criteria have been met, the Organization capitalizes costs paid to vendors under development contracts. The cost of minor enhancements or maintenance to the software is expensed as incurred. Amortization of capitalized costs begins when the software is ready for its intended use. Capitalized cost totaled $530,692 and $500,266 at December 31, 2025 and 2024, respectively.

Depreciation totaled $1,279,825 and $1,112,837 for the years ended December 31, 2025 and 2024, respectively.

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

Impairment of Long-Lived Assets

The Organization reviews its investment in long-lived assets for impairment whenever events and changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to the estimated proceeds from the eventual disposition of the assets. If assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of assets exceeds the fair value of such property. There were no impairment losses recognized in 2025 and 2024.

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain financing for the Organization. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized deferred financing costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense, and totaled $569 for each of the years ended December 31, 2025 and 2024.

Compensated Absences

Accumulated unpaid vacation totaling $211,132 and $173,843 at December 31, 2025 and 2024, respectively, is accrued when earned and included in accounts payable and accrued expenses.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

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

Special event revenue is recognized in the period that the event occurs.

Program and other revenue is recognized as performance obligations are satisfied, and any non-refundable portion of the contract is recorded as revenue upon receipt. Deferred program and other revenue totaled $63,162 and $20,905 at December 31, 2025 and 2024, respectively.

Donated Space, Food and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended December 31, 2025 and 2024 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

The Organization received the following contributions of nonfinancial assets for the year ending December 31:

	2025	2024
Property and Equipment:		
Building and improvements	$ 109,208	$ 100,878
Total Property and Equipment	109,208	100,878
Revenue:		
Family support and supplies	555,137	816,809
Auction and event	232,629	86,653
Food	197,977	284,731
Media	185,000	175,000
Vehicles for auction	62,375	60,550
Utilities	29,089	6,876
Professional services	2,975	2,185
Employee event attendance	1,326	-
Rent	976	976
Total Revenue	1,267,484	1,433,780
Total Contributed Nonfinancial Assets	$ 1,376,692	$ 1,534,658

Note 2 - Significant Accounting Policies: (Continued)

Donated Space, Food and Materials (Continued)

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

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

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

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

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

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

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

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense totaled $926,249 and $651,259 for the years ended December 31, 2025 and 2024, respectively, which are included in advertising and promotion expense.

Functional Allocation of Expenses

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

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes

The Organization is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the years ended December 31, 2025, 2024, 2023 and 2022 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Leases

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

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

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

Concentration of Credit Risk

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

The Organization's revenue activity is derived from individual, corporate, and foundation contributions. Approximately 18% and 23% of total unrestricted support and revenue was derived from a single special event for the years ended December 31, 2025, and 2024, respectively. This event, which is conducted annually, is regulated. Changes in regulations, administrative or legal actions, or changes in event procedures which occur from time to time could have an impact on event revenues and expenses.

Cash and Cash Equivalents

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

Note 2 - Significant Accounting Policies: (Continued)

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of financial position.

Comparative Totals for December 31, 2024

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. This summarized information is for comparative purposes only, and accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2024, from which the summarized comparative information was derived.

Subsequent Events

The Organization has evaluated subsequent events through August 12, 2026, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 19.

Reclassification

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

Note 3 - Liquidity and Availability:

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

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

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	$ 3,611,983	$ 4,643,295
Investments	22,934,191	21,578,621
In-kind and other receivables	797,298	369,255
Contributions receivable, net	1,874,506	1,133,202
Notes receivable, net	59,033	-
Total financial assets available	29,277,011	27,724,373
Less assets unavailable for general expenditure:		
Permanent endowment funds	(7,252,664)	(6,656,244)
Maintenance reserve funds	(4,930,200)	(4,197,583)
Board designated endowment funds	(4,425,074)	(3,759,548)
Total financial assets not available to be used within one year	(16,607,938)	(14,613,375)
Financial assets available to meet cash needs for general expenditures within one year	$ 12,669,073	$ 13,110,998

Note 3 - Liquidity and Availability: (Continued)

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

The Organization employs a detailed annual budgeting and long-term forecasting process to ensure that the Organization holds no less than nine months of its future cash flow needs over the next five fiscal years. As of the statements of financial position date and as of the date of this audit report, the Organization held sufficient liquid resources to meet this requirement.

Note 4 - Fair Value Measurements:

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

	2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2025
Mutual funds / exchange trade funds:				
Equity - large cap domestic	$ 9,660,474	$ -	$ -	$ 9,660,474
Equity - mid-cap domestic	1,844,243	-	-	1,844,243
Equity - small domestic	1,767,183	-	-	1,767,183
Equity - international	2,672,058	-	-	2,672,058
Equity - hedge fund	968,328	-	-	968,328
Equity - emerging markets	504,755	-	-	504,755
Fixed income - domestic	5,517,150	-	-	5,517,150
	$ 22,934,191	$ -	$ -	$ 22,934,191

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
Mutual funds / exchange trade funds:				
Equity - large cap domestic	$ 10,585,783	$ -	$ -	$ 10,585,783
Equity - mid-cap domestic	1,794,407	-	-	1,794,407
Equity - small domestic	1,780,716	-	-	1,780,716
Equity - international	1,005,777	-	-	1,005,777
Equity - hedge fund	879,748	-	-	879,748
Fixed income - domestic	5,532,190	-	-	5,532,190
	$ 21,578,621	$ -	$ -	$ 21,578,621

Note 5 - Investments:

Investments consist of the following at December 31:

	2025	2024
Mutual funds / exchange trade funds	$ 22,934,191	$ 21,578,621
Total Investments	$ 22,934,191	$ 21,578,621

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

	2025	2024
Investment income	$ 695,158	$ 785,238
Realized gain on investments, net	2,115,477	1,889,767
Unrealized gain on investments, net	269,311	783,099
Investment fees	(72,783)	(73,008)
Total Investment Income	$ 3,007,163	$ 3,385,096

Note 6 - Contributions Receivable:

Contributions receivable consist of the following at December 31:

	2025	2024
Contributions receivable	$ 752,648	$ 250,964
Pledges receivable	5,148,929	1,961,414
Contributions receivable before adjustment to fair value	5,901,577	2,212,378
Less: Adjustments to record contributions receivable at fair value		
Discount to present value	(338,176)	(103,799)
Allowance for uncollectible receivables	(8,305)	(26,000)
Total Contributions Receivable, Net	$ 5,555,096	$ 2,082,579

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

	2025	2024
Due in one year or less	$ 2,618,849	$ 1,358,165
Due in more than one year	2,936,247	724,414
Total Contributions Receivable, Net	$ 5,555,096	$ 2,082,579

Contributions receivable have been discounted to their present value using a discount rate ranging from 3.84% to 4.38% for each the years ended December 31, 2025 and 2024.

Note 7 - Notes Receivable:

Notes receivable consist of the following at December 31:

	2025	2024
Individual debtor, original principal of $130,000; interest at 10.0% per annum; principal and interest payable in monthly installments of $1,104 through April 15, 2030; secured by a deed of trust.	$ 120,557	$ -
Individual debtor, original principal of $75,000; interest at 10.0% per annum; principal and interest payable in monthly installments of $658 through August 1, 2030; secured by a deed of trust.	62,652	-
Individual debtor, original principal of $29,000; interest at 7.0% per annum; principal and interest payable in monthly installments of $225 through May 30, 2032; secured by deed of trust.	13,680	-
Individual debtor, original principal of $75,000; interest at 9.0% per annum; principal and interest payable in monthly installments of $603 through September 1, 2032; secured by deed of trust.	20,855	-
Individual debtor, original principal of $100,000; interest at 8.0% per annum; principal and interest payable in monthly installments of $836 through November 22, 2037; secured by deed of trust.	74,638	-
Individual debtor, original principal of $75,000; interest at 6.0% per annum; principal and interest payable in monthly installments of $450 through August 1, 2057; secured by deed of trust.	34,135	-
Individual debtor, original principal of $150,000; interest at 8.0% per annum; principal and interest payable in monthly installments of $1,043 through August 17, 2058; secured by deed of trust.	130,373	-
Total Notes Receivable	456,890	-
Less: Allowance for doubtful notes receivable	(45,689)	-
Total Notes Receivable, Net	$ 411,201	$ -

Note 8 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2025	2024
Buildings	$ 25,285,239	$ 25,285,239
Leasehold improvements	14,009,453	3,896,404
Internally developed software	530,692	500,266
Furniture and fixtures	855,073	625,886
Machinery and equipment	687,022	593,844
Vehicles	147,973	147,973
Construction in Progress	-	6,437,598
Subtotal	41,515,452	37,487,210
Less: Accumulated Depreciation	(14,155,359)	(12,901,259)
Property and Equipment, Net	$ 27,360,093	$ 24,585,951

During fiscal year 2023, the Organization started the construction of 28 new guest rooms costing $11 million which was completed in July 2025.

Note 9 - Note Payable:

The Organization had a note payable to a bank in the original amount of $14,200,000 with initial monthly principal and interest payments of $83,153, bearing interest at the fixed rate of 4.95% through October 2024. After the initial 10-year period, the interest rate would have reset to the 10-year Treasury Constant Maturity rate in effect at that time, plus 2.40%. Monthly principal and interest payments were calculated over a 25-year amortization period, and was payable through October 2033, at which time all unpaid principal and interest remaining on the note would have been due. The note was secured by a deed of trust and included a pre-payment penalty provision subject to the terms of the loan agreement.

On March 2, 2018, the Organization refinanced the original amount of the $14,200,000 note payable by issuing a new note payable to a bank in the original amount of $10,123,820 with initial monthly principal and interest payments of $104,105 commencing on April 1, 2018, bearing interest at the fixed rate of 4.25% through March 1, 2028, when all unpaid principal and interest at that time will become due. The note is secured by inventory, chattel paper, accounts, equipment, and general intangibles, and includes a pre-payment penalty provision subject to the terms of the loan agreement. Concurrent with the refinance, the Organization expensed previously capitalized loan fees associated with the original debt of $34,032. The note payable totaled $2,879,408 and $3,978,168 at December 31, 2025 and 2024, respectively.

The note outstanding on December 31, 2025 is subject to the terms and conditions contained in the loan and security agreement with the bank. The agreement requires the Organization to maintain certain financial and non-financial covenants as defined in the agreement. The Organization was in compliance with all covenants as of December 31, 2025 and 2024.

Debt issuance costs total $5,694, less accumulated amortization of $4,458 and $3,889 at December 31, 2025 and 2024, respectively.

Note 9 - Note Payable: (Continued)

Future principal payments on the note payable are as follows:

Years Ended December 31	
2026	$ 1,147,646
2027	1,198,086
2028	534,912
Total before Unamortized debt issuance costs	2,880,644
Less: Unamortized debt issuance costs	(1,236)
Total	$ 2,879,408

Note 10 - Line-of-Credit:

On February 16, 2017, the Organization entered into a revolving line-of-credit agreement with a bank under which the Organization can borrow up to $1,000,000, and bears interest at a rate of LIBOR plus 1.75%. Loans are repayable immediately upon demand by the bank. There was no outstanding balance on the line-of-credit at December 31, 2025 and 2024.

Note 11 - Board-Designated Reserve Fund:

The Organization’s governing board has designated a portion of its resources without donor restrictions to be used for repairs and maintenance of the House. The Board-designated reserve fund totaled $4,930,200 and $4,197,583 at December 31, 2025 and 2024, respectively.

Note 12 - Net Assets With Donor Restrictions:

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

	2025	2024
Subject to Expenditure for Specified Purpose:		
Campaign construction	$ 5,725,377	$ 1,610,991
In-kind rent	1,441,690	1,618,223
Padres playroom	50,000	-
Education enrichment	49,339	52,626
Laundry room	28,629	28,629
Guest holiday celebration	17,355	27,774
Guest Thanksgiving and Christmas celebrations	17,295	25,000
Employee education and emergency	16,771	14,733
Guest room remodel	16,584	16,584
Coca-Cola	15,307	47,956
Pacific Island family stays	7,610	8,047
BBQ area remodel	5,430	5,542
Learning from families study	1,480	-
Recycling	688	688
Meal program	-	1,566
Guest gift cards	-	100
Other	-	74
Total Subject to Expenditure for Specified Purpose	7,393,555	3,458,533
Perpetual in Nature:		
Endowments (Note 13)	7,252,664	6,656,244
Total Net Assets with Donor Restrictions	$ 14,646,219	$ 10,114,777

Note 13 - Endowment Net Assets:

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

The Organization has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restrictions, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has no underwater endowment funds at December 31, 2025 and 2024.

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	$ -	$ 7,252,664	$ 7,252,664
Board-designated endowments	4,425,074	-	4,425,074
Total endowments	$ 4,425,074	$ 7,252,664	$ 11,677,738

Note 13 - Endowment Net Assets: (Continued)

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at December 31, 2023	$ 2,256,628	$ 6,013,427	$ 8,270,055
Contributions	1,156,200	6,091	1,162,291
Investment income, net	64,897	137,943	202,840
Net realized and unrealized gain	281,823	721,366	1,003,189
Appropriation of endowment assets for Expenditures	-	(222,583)	(222,583)
Balance at December 31, 2024	3,759,548	6,656,244	10,415,792
Contributions	178,375	7,371	185,746
Investment income, net	91,150	151,578	242,728
Net realized and unrealized gain	396,001	665,386	1,061,387
Appropriation of endowment assets for Expenditures	-	(227,915)	(227,915)
Balance at December 31, 2025	$ 4,425,074	$ 7,252,664	$ 11,677,738

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

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

Note 14 - Joint Costs:

The Organization conducts activities that include fundraising appeals as well as program components. These activities include direct mail and other constituent relationship activities. The costs of conducting these joint activities which meet the purpose, audience, and content were $118,373 and $111,510 for the years ended December 31, 2025 and 2024, respectively. They were comprised of the following for the years ended December 31:

	2025	2024
Fundraising	$ 82,861	$ 78,057
Programs service costs	35,512	33,453
Total	$ 118,373	$ 111,510

Note 15 - Related Party Transactions:

The Organization is a local chapter of Ronald McDonald House Charities, Inc. ("RMHC, Inc."), an organization that supports a global network of Ronald McDonald Houses and other programs directed at children around the world. The Organization has a license agreement with the McDonald's Corporation for the use of its name and trademarks. This license agreement also includes programmatic guidelines that should be followed. As part of the license agreement, the Organization receives proceeds net of collection expenses from certain fundraising events conducted at local McDonald's stores. Net proceeds received from such events totaled $438,980 and $427,391 for the years ended December 31, 2025 and 2024, respectively.

RMHC, Inc. also makes direct donations to the Organization throughout the year. These donations totaled $4,200 and $3,000 for the years ended December 31, 2025 and 2024, respectively. Additionally in 2024, RMHC, Inc. donated $200,000 to the Organization's capital campaign to support the construction of an additional 28 guest rooms.

There were no donations or funds transfers made to RMHC, Inc. during the years ended December 31, 2025 and 2024.

Support received from the Board of Trustees and management totaled $2,108,889 and $463,573 for the years ended December 31, 2025 and 2024, respectively. Pledge receivables from the Board of Trustees and management outstanding at December 31, 2025 and 2024 were $4,517,978 and $60,903, respectively.

Note 16 - Retirement Plan:

Effective January 1, 2013, the Organization amended and restated its 403(b) plan (the "Plan") covering all employees of the Organization. Employees are eligible to participate in the Plan immediately upon hire. The Plan includes an employer match component for 100% of the first 3% of salary deferrals, plus 50% in excess of 3% of salary deferrals, not to exceed 4% of employee compensation. The Organization made employer matching contributions totaling $124,169 and $116,153 for the years ended December 31, 2025 and 2024, respectively, and is included in salaries and payroll taxes.

Note 17 - Commitments and Contingencies:

Leases

The Organization leases equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2067. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

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

On February 17, 2017, the Organization entered into a lease agreement with Rady Children's Hospital for its North House. The lease was for a 7-year term. On February 28, 2020, the Organization entered into an amendment to this lease, which extended the lease term through February 28, 2034. The annual lease payment remained $1 per year. The annual fair market value of the rent was $177,509 for each of the years ended December 31, 2025 and 2024. In-kind rent receivable totaled $1,441,689 and $1,618,223 at December 31, 2025 and 2024, respectively, and is included in in-kind and other receivables.

The Organization rents various pieces of equipment under operating lease agreements extending through July 2027. Equipment rent expense totaled $7,644 and $17,447 for the years ended December 31, 2025 and 2024, respectively.

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

	2025	2024
Operating lease right-of-use asset	$ 6,648	$ 13,580
Operating lease liability - current portion	$ 2,126	$ 7,278
Operating lease liability - less current portion	4,431	6,556
Total Operating Lease Liabilities	$ 6,557	$ 13,834

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

	2025	2024
Weighted average remaining lease term - Operating	2.96 years	2.63 years
Weighted average discount rate	4.51%	2.37%

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

	2025	2024
Operating lease expense (*included in facility and equipment*)	$ 17,140	$ 17,860
Total Lease Cost	$ 17,140	$ 17,860

Note 17 - Commitments and Contingencies: (Continued)

Leases (Continued)

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

	2025	2024
Operating cash flows from operating leases	$ 7,644	$ 17,447

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

Years Ended December 31	
2026	$ 2,379
2027	2,379
2028	1,586
2029	694
Total	7,038
Less: Discount	(481)
Present Value of Lease Liabilities	$ 6,557

Note 18 - Litigation and Regulation:

In the normal course of business, the Organization is occasionally named as a defendant in various claims. From time to time, the Organization receives, and timely responds to, requests for information from governmental agencies. It is the opinion of management that providing information to governmental agencies will not lead to legal or administrative actions that would have a material impact on the financial statements.

In 2026, the Organization entered into a settlement agreement to resolve a claim filed under the California Private Attorneys General Act ("PAGA") alleging certain wage and hour violations, including failure to provide compliant meal and rest periods, unpaid overtime wages, and related wage statement deficiencies, for the period from October 10, 2019 through the settlement date in 2026.

As of December 31, 2025, management determined that a loss related to this matter was probable and reasonably estimable and recorded an accrual of $500,000, which is included in accounts payable and accrued expenses in the accompanying statement of financial position. Wage-related settlement amounts were expensed within the applicable functional expense categories while legal fees and statutory penalties were expensed within administrative expenses.

Management believes that this settlement represents a discrete event and fully resolves the matter. Management also believes that there is no reasonable possibility of additional material losses related to this matter as of December 31, 2025. The Organization is subject to other claims arising in the ordinary course of activities; however, such matters are not expected to have a material adverse effect on the Organization's financial statements.

Note 19 - Subsequent Event:

On June 10, 2026, as part of a global brand modernization process, the Organization's Board of Trustees approved a change of the Organization's name from Ronald McDonald House Charities, Inc. to Ronald McDonald House San Diego, Inc.