

Ronald McDonald House Charities of Hawaii, Inc.

Financial Statements

December 31, 2024 and 2023

Together with Independent Auditor's Report

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A Hawaii Limited Liability Partnership

Independent Auditor's Report

Board of Directors
Ronald McDonald House Charities of Hawaii, Inc.

Opinion

We have audited the financial statements of Ronald McDonald House Charities of Hawaii, Inc. (the Organization), which comprise the related statements of financial position as of December 31, 2024 and 2023, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

KMH LLP

KMH LLP

Honolulu, Hawaii
September 10, 2025

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Financial Position
December 31, 2024 and 2023

Assets

	<u>2024</u>		<u>2023</u>
Cash	\$ 396,691	\$	\$ 347,951
Certificates of Deposit	212,183		204,931
Operating Investments	8,988,448		8,289,675
Inventory and Other Assets	481,193		420,584
Property and Equipment, net	3,257,514		3,356,638
Endowment Investments	<u>6,567,110</u>		<u>6,200,933</u>
Total assets	<u>\$ 19,903,139</u>		<u>\$ 18,820,712</u>

Liabilities and Net Assets

Liabilities:			
Accounts payable	\$ 72,235	\$	\$ 14,727
Accrued expenses	<u>35,837</u>		<u>14,546</u>
Total liabilities	<u>108,072</u>		<u>29,273</u>
Net assets:			
Without donor restrictions	19,150,669		18,216,557
With donor restrictions	<u>644,398</u>		<u>574,882</u>
Total net assets	<u>19,795,067</u>		<u>18,791,439</u>
Total liabilities and net assets	<u>\$ 19,903,139</u>		<u>\$ 18,820,712</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Activities

For the Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Support:			
Contributions:			
Foundations and other	\$ 1,271,066	\$ 75,000	\$ 1,346,066
In-kind	652,090	-	652,090
Special events	648,447	-	648,447
Less: cost of direct benefits to donors	(233,315)	-	(233,315)
Net assets released from restrictions	5,484	(5,484)	-
Total support	<u>2,343,772</u>	<u>69,516</u>	<u>2,413,288</u>
Revenue:			
Net realized and unrealized gains on investments	882,743	-	882,743
Net investment income	426,760	-	426,760
Room rental income	1,488	-	1,488
Total revenue	<u>1,310,991</u>	<u>-</u>	<u>1,310,991</u>
Total support and revenue	<u>3,654,763</u>	<u>69,516</u>	<u>3,724,279</u>
Expenses:			
Program services	<u>1,511,636</u>	<u>-</u>	<u>1,511,636</u>
Supporting Services:			
Management and general	239,095	-	239,095
Fundraising	969,920	-	969,920
Total supporting services	<u>1,209,015</u>	<u>-</u>	<u>1,209,015</u>
Total expenses	<u>2,720,651</u>	<u>-</u>	<u>2,720,651</u>
Increase in net assets	<u>934,112</u>	<u>69,516</u>	<u>1,003,628</u>
Net assets at beginning of year	<u>18,216,557</u>	<u>574,882</u>	<u>18,791,439</u>
Net assets at end of year	<u>\$ 19,150,669</u>	<u>\$ 644,398</u>	<u>\$ 19,795,067</u>

(Continued)

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Activities

For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Support:			
Contributions:			
Foundations and other	\$ 1,023,489	\$ 50,000	\$ 1,073,489
In-kind	600,353	-	600,353
Special events	482,664	-	482,664
Less: cost of direct benefits to donors	(138,280)	-	(138,280)
Net assets released from restrictions	<u>25,923</u>	<u>(25,923)</u>	<u>-</u>
Total support	<u>1,994,149</u>	<u>24,077</u>	<u>2,018,226</u>
Revenue:			
Net realized and unrealized gains on investments	1,101,910	-	1,101,910
Net investment income	353,848	-	353,848
Room rental income	<u>4,046</u>	<u>-</u>	<u>4,046</u>
Total revenue	<u>1,459,804</u>	<u>-</u>	<u>1,459,804</u>
Total support and revenue	<u>3,453,953</u>	<u>24,077</u>	<u>3,478,030</u>
Expenses:			
Program services	<u>1,715,283</u>	<u>-</u>	<u>1,715,283</u>
Supporting Services:			
Management and general	216,146	-	216,146
Fundraising	<u>634,293</u>	<u>-</u>	<u>634,293</u>
Total supporting services	<u>850,439</u>	<u>-</u>	<u>850,439</u>
Total expenses	<u>2,565,722</u>	<u>-</u>	<u>2,565,722</u>
Increase in net assets	<u>888,231</u>	<u>24,077</u>	<u>912,308</u>
Net assets at beginning of year	<u>17,328,326</u>	<u>550,805</u>	<u>17,879,131</u>
Net assets at end of year	<u>\$ 18,216,557</u>	<u>\$ 574,882</u>	<u>\$ 18,791,439</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Functional Expenses
For the Year Ended December 31, 2024

	Program Services	Supporting Services			Total Expenses	2023
	Operations	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 702,721	\$ 86,637	\$ 173,274	\$ 259,911	\$ 962,632	\$ 923,571
Payroll taxes and fringe benefits	173,623	21,405	42,811	64,217	237,840	232,395
Total salaries and related expenses	876,344	108,042	216,085	324,128	1,200,472	1,155,966
Donated events expenses	-	-	589,538	589,538	589,538	313,425
Donated advertising	-	-	36,364	36,364	36,364	199,346
Donated goods and services for housing operations	26,188	-	-	-	26,188	87,581
Cost of direct benefits to donors	-	-	233,315	233,315	233,315	138,280
Depreciation	133,523	1,362	1,362	2,724	136,247	156,163
Professional fees	40,869	68,848	12,964	81,812	122,681	114,405
Repairs and maintenance	103,843	-	-	-	103,843	73,509
Printing and publication	52,532	12,233	7,196	19,429	71,961	86,818
Information and technology	51,520	6,352	12,704	19,056	70,576	28,273
Utilities	65,362	667	667	1,334	66,696	68,091
Event expenses	-	-	48,875	48,875	48,875	13,136
Insurance	28,448	5,446	334	5,780	34,228	33,772
License and bank fees	7,453	20,291	1,838	22,129	29,582	24,437
Guest programs	20,205	2,865	5,732	8,597	28,802	22,388
Volunteer/ staff expense	21,451	2,422	3,919	6,341	27,792	35,232
Travel and transportation	20,656	5,672	788	6,460	27,116	10,955
Office expenses	21,059	2,631	2,631	5,262	26,321	102,332
General excise tax	-	-	25,058	25,058	25,058	14,370
Payments to RMHC National	23,346	-	-	-	23,346	11,605
Other expenses	11,290	1,121	1,121	2,242	13,532	6,512
Conference, conventions and meetings	7,546	1,143	2,744	3,887	11,433	7,406
Total expenses	1,511,636	239,095	1,203,235	1,442,330	2,953,966	2,704,002
Less cost of direct benefits to donors	-	-	(233,315)	(233,315)	(233,315)	(138,280)
Total expenses per statement of activities	\$ 1,511,636	\$ 239,095	\$ 969,920	\$ 1,209,015	\$ 2,720,651	\$ 2,565,722

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Functional Expenses
For the Year Ended December 31, 2023

	Program Services	Supporting Services			Total Expenses	2022
	Operations	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 674,207	\$ 83,121	\$ 166,243	\$ 249,364	\$ 923,571	\$ 827,335
Payroll taxes and fringe benefits	169,648	20,916	41,831	62,747	232,395	212,345
Total salaries and related expenses	843,855	104,037	208,074	312,111	1,155,966	1,039,680
Donated events expenses	-	-	313,426	313,426	313,426	83,870
Donated advertising	199,346	-	-	-	199,346	347,918
Donated goods and services for guest programs	87,581	-	-	-	87,581	80,111
Depreciation	153,039	1,562	1,562	3,124	156,163	155,033
Cost of direct benefits to donors	-	-	138,280	138,280	138,280	130,494
Professional fees	974	56,086	57,345	113,431	114,405	56,474
Office expenses	85,570	8,381	8,381	16,762	102,332	26,327
Printing and publication	63,377	14,759	8,682	23,441	86,818	83,388
Repairs and maintenance	73,509	-	-	-	73,509	66,786
Utilities	66,729	681	681	1,362	68,091	61,976
Volunteer/ staff expense	30,565	1,523	3,144	4,667	35,232	8,220
Insurance	27,988	5,448	336	5,784	33,772	26,045
Information and technology	27,707	283	283	566	28,273	28,273
License and bank fees	-	21,993	2,444	24,437	24,437	17,280
Guest programs	22,387	-	-	-	22,387	24,396
General excise tax	-	-	14,370	14,370	14,370	11,083
Event expenses	-	-	13,136	13,136	13,136	11,040
Payments to RMHC National	11,605	-	-	-	11,605	24,776
Travel and transportation	10,955	-	-	-	10,955	7,649
Conference, conventions and meetings	4,888	741	1,777	2,518	7,406	5,679
Other expenses	5,208	652	652	1,304	6,512	5,298
Total expenses	1,715,283	216,146	772,573	988,719	2,704,002	2,301,796
Less cost of direct benefits to donors	-	-	(138,280)	(138,280)	(138,280)	(130,494)
Total expenses per statement of activities	\$ 1,715,283	\$ 216,146	\$ 634,293	\$ 850,439	\$ 2,565,722	\$ 2,171,302

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Cash Flows
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Increase in net assets	\$ 1,003,628	\$ 912,308
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	136,247	156,163
Net realized and unrealized gains on investments	(882,743)	(1,101,910)
Increase in assets:		
Inventory and other assets	(60,609)	(59,439)
Increase (decrease) in liabilities:		
Accounts payable	57,508	(9,264)
Accrued expenses	21,291	(11,451)
Net cash provided by (used in) operating activities	<u>275,322</u>	<u>(113,593)</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	2,132,082	4,746,344
Purchase of investments	(2,314,289)	(4,807,707)
Purchase of certificates of deposit	(212,183)	(204,931)
Proceeds from maturity of certificates of deposit	204,931	101,504
Purchase of property and equipment	(37,123)	(61,521)
Net cash used in investing activities	<u>(226,582)</u>	<u>(226,311)</u>
Net increase (decrease) in cash	48,740	(339,904)
Cash, beginning of year	<u>347,951</u>	<u>687,855</u>
Cash, end of year	<u>\$ 396,691</u>	<u>\$ 347,951</u>

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

1. Background and Organization

Ronald McDonald House Charities of Hawaii, Inc. (Organization) is a nonprofit organization incorporated in February 1983, to provide a home-away-from-home filled with the spirit of aloha and ohana for families of children with catastrophic illness, and to "lift children to a better tomorrow" by developing other programs and partnerships aimed at improving the lives of children in Hawaii and the Pacific. The Organization's major sources of support and revenues are provided primarily from contributions and investment income.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and State income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The accounting policies of the Organization have been designed to conform with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit organizations.

b. Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

With donor restrictions - Net assets subject to donor 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. Contributions received with donor stipulations that limit their use which expire in the same reporting period are recorded as unrestricted contributions.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies

c. Cash

Cash consists primarily of interest-bearing checking accounts and savings accounts. The Organization treats investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, the Organization did not have any cash equivalents.

d. Certificates of Deposit

Certificates of deposit are stated at face value plus accrued interest, which approximates fair value. Interest income is included as an increase in net assets without donor restrictions.

e. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Purchases and sales of securities are reflected on a trade-date-basis. Gains and losses on sales of securities are based on cost (cost of securities if purchased or the fair market value at the date of gift if received by donation). Net investment income is reported in the Statements of Activities and consists of interest and dividend income less external investment expenses. Dividend and interest income are recorded on the accrual basis. In accordance with the policy of stating investments at fair value, the net change in unrealized appreciation or depreciation for the year is reflected in the Statements of Activities. The Organization's alternative investments are accounted for in accordance with Accounting Standards Codification (ASC) 958-325, Not-for-Profit Entities – Investments - Others. Alternative investments, which do not have a readily determinable fair value, utilize net asset value, as provided by the investment manager, as a practical expedient to determine fair value.

f. Property and Equipment

Property and equipment of \$2,500 or more with an estimated useful life of at least one year are capitalized and recorded at cost. Donated assets are recorded at their estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets ranging from 3 - 10 years for furniture, fixtures, and equipment, and 39 years for building and improvements.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

f. Property and Equipment (continued)

The costs of repairs and maintenance, depreciation, and amortization are charged to expense. Upon the sale or retirement of the property and equipment, the related cost and accumulated depreciation or amortization are removed from the accounts and the resulting gains or losses are reflected in the financial statements.

Property and equipment are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values.

g. Contributions

Contributions, including unconditional promises to give, are recorded at the date of gift. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Bequests are recorded as revenue at the time of unassailable right to the gift has been established and the proceeds are measurable in amount. Long-term promises to give are initially recorded at fair value using the income approach using discount rates commensurate with the risk involved at the date of donation. An allowance for doubtful accounts on outstanding contributions receivable balances is recorded when deemed necessary based upon historical trends, current market risk assessments, and specific donor considerations. Receivables are written off when management believes they will not be collected. Amounts are considered past due if they are not received within one year after the expected payment date.

Conditional Promises to Give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended December 31, 2024 and 2023.

Special Events - the Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

h. In-Kind Contributions

Contributed goods and services are reflected as in-kind contribution revenue and expenses in the accompanying Statements of Activities at their estimated fair value at date of receipt. Existing contributed goods and gifts of property and equipment are reflected as support without donor restrictions unless explicit donor stipulations specify how the donated goods must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization receives a significant amount of time donated by volunteers for the Organization's programs and fundraising activities. The contributions of services are recognized if the services received (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.

Donated services by volunteers with an estimated value of approximately \$34,000 (unaudited) and \$33,000 (unaudited) for 2024 and 2023, respectively, were not recognized in the financial statements as they did not meet the criteria for recognition.

i. Advertising Costs

Advertising costs are expensed as incurred and included on the Statements of Functional Expenses.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

j. Functional Classification of Expenses

The Organization has summarized the costs of program and supporting activities in the Statements of Activities. The expense analysis in the Statements of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been assigned to the program or supporting services benefitted. The financial statements also report certain categories of expenses that are attributable to more than one program or support function. The expenses include salaries and benefits, which are allocated based on department and job classification and management and general tasks. Expenses associated with occupying and maintaining facilities have been allocated to their respective functional area based on the headcount of employees. Other costs are classified in each functional category based on the underlying purpose of each transaction.

k. Use of Estimates

Preparing financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported, the disclosure of contingent assets and liabilities, and the revenue and expenses reported during the stated period. Actual results could differ from management's estimates.

l. Subsequent Events

Management has evaluated subsequent events through September 10, 2025, the date of the financial statements were available to be issued, and it was determined that all subsequent events had been properly accounted for.

m. Reclassifications

Certain reclassifications were made to prior year's financial statements to conform to 2024 presentation. Such reclassifications had no impact on the previously reported changes in net assets.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2024 and 2023, are comprised of the following:

	<u>2024</u>	<u>2023</u>
Cash	\$ 396,691	\$ 347,951
Certificates of deposit	212,183	204,931
Operating Investments	8,988,448	10,530,155
Endowment Investments	<u>6,567,110</u>	<u>3,960,453</u>
	16,164,432	15,043,490
Less:		
Net assets with donor restrictions	(644,398)	(574,882)
Board- designated endowment	(3,611,320)	(3,439,203)
Board- designated other	<u>(2,434,540)</u>	<u>(2,240,480)</u>
Financial assets available within one year	<u>\$ 9,474,174</u>	<u>\$ 8,788,925</u>

As part of the liquidity management plan, the Organization's policy is to structure its financial assets to be made available for general expenditures, liabilities, and other obligations as they come due. This includes a spending policy with an annual spending rate of 5% of the Board-designated endowment. Although the Organization does not intend to spend from these endowments, other than the amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, these amounts could be made available if necessary.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

4. In-Kind Contributions

The Organization received the following contributions of nonfinancial assets, measured at fair value, for the years ending December 31, 2024 and 2023 as follows:

	2024	2023
Goods and services for housing operations	\$ 26,188	\$ 87,581
Fundraising events	589,538	313,426
Advertising	36,364	199,346
Total in-kind contributions	<u>\$ 652,090</u>	<u>\$ 600,353</u>

5. Fair Value and Investments

The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 - Unadjusted quoted prices or published prices in active markets for identical assets or liabilities, such as publicly traded securities.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

5. Fair Value and Investments (continued)

Level 2 - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observation inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are unobservable data for the asset or liability and include situations where there is little, if any, activity for the asset or liability. The inputs reflect the Organization's assumptions based on the best information available in the circumstances.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

For equity securities, mutual funds, and cash equivalents, the fair value is estimated using quoted or observable prices in an active market or exchange and is generally categorized in Level 1. For debt securities, the fair value is estimated using a market approach and is generally categorized in Level 2. There were no changes to the methodologies used to determine the value or transfers of items between levels for the years ended December 31, 2024 and 2023.

Investments in alternative investments that are measured at fair value using NAV per share as a practical expedient are as follows at December 31, 2024 and 2023:

	<u>Number of Investments</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
2024:						
Alternative Investment-- Hedge Fund	<u>1</u>	<u>\$ 446,173</u>	<u>\$ 603,449</u>	<u>\$ -</u>	Monthly; Quarterly	45-90 days
2023:						
Alternative Investment-- Hedge Fund	<u>1</u>	<u>\$ 442,446</u>	<u>\$ 536,951</u>	<u>\$ -</u>	Monthly; Quarterly	45-90 days

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
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5. Fair Value and Investments (continued)

Fair value of investments measured on a recurring basis, are as follows:

	Fair Value	Level 1	Level 2	Level 3
At December 31, 2024:				
Cash held for investment	\$ 675,799	\$ 675,799	\$ -	\$ -
Certificates of deposit	212,183	-	212,183	-
Equity securities:				
Consumer discretionary	2,292,152	2,292,152	-	-
Financials	1,164,171	1,164,171	-	-
Information technology	953,832	953,832	-	-
Health care	867,170	867,170	-	-
Industrials	539,942	539,942	-	-
Other	1,337,039	1,337,039	-	-
Mutual funds:				
Fixed income	4,960,443	4,960,443	-	-
Flexible	1,533,342	1,533,342	-	-
International	411,463	411,463	-	-
Debt securities:				
Corporate bonds	216,756	-	216,756	-
Total investments held at fair value	15,164,292	<u>\$ 14,735,353</u>	<u>\$ 428,939</u>	<u>\$ -</u>
Investments held at Net Asset Value --				
Hedge Fund	603,449			
Total investments	<u>\$ 15,767,741</u>			
At December 31, 2023:				
Cash held for investment	\$ 489,430	\$ 489,430	\$ -	\$ -
Certificates of deposit held with investments	296,097	-	296,097	-
Certificates of deposit	204,931	-	204,931	-
Equity securities:				
Consumer discretionary	2,369,324	2,369,324	-	-
Information technology	857,424	857,424	-	-
Financials	838,351	838,351	-	-
Health care	746,825	746,825	-	-
Industrials	506,094	506,094	-	-
Other	1,211,974	1,211,974	-	-
Mutual funds:				
Fixed income	4,723,932	4,723,932	-	-
Flexible	1,353,674	1,353,674	-	-
International	359,318	359,318	-	-
Debt securities:				
Corporate bonds	201,214	-	201,214	-
Total investments held at fair value	14,158,588	<u>\$ 13,456,346</u>	<u>\$ 702,242</u>	<u>\$ -</u>
Investments held at Net Asset Value --				
Hedge Fund	536,951			
Total investments	<u>\$ 14,695,539</u>			

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
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6. Property and Equipment

Property and equipment are comprised of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,152,638	\$ 1,152,638
Building and improvements	4,838,140	4,801,017
Furniture, fixtures, and equipment	958,878	958,878
Vehicles	<u>95,982</u>	<u>95,982</u>
Total property and equipment	7,045,638	7,008,515
Less accumulated depreciation	<u>(3,788,124)</u>	<u>(3,651,877)</u>
Net property and equipment	<u>\$ 3,257,514</u>	<u>\$ 3,356,638</u>

Depreciation expense amounted to approximately \$136,000 and \$156,000 for the years ended December 31, 2024 and 2023, respectively.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2024 and 2023 are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Working on Cloud Nine	\$ 74,770	\$ -
Sound the alarm initiative	47,339	50,000
Christmas presents for families	1,039	3,632
Endowments--		
Perpetual in nature, earnings are for operations	<u>521,250</u>	<u>521,250</u>
	<u>\$ 644,398</u>	<u>\$ 574,882</u>

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
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8. Endowment

The Organization's Board has interpreted the Hawaii State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Organization to appropriate for expenditure or accumulate as much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 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. There were no funds underwater as of December 31, 2024 and 2023.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) its investment policies.

The Organization has adopted an investment policy with the objective of maintaining purchasing power of endowment assets. The Board regards spending, in terms of dollars, as flexible from year to year according to the needs of the Organization as determined by the Organization. However, expected investment returns from the endowment's funds shall be managed in such a way that reduces the likelihood of underperformance and excessive deterioration of its relative purchase power. The Organization's spending policy equals to 2.5% semi-annually of the market value of the endowment portion of the fund ending December and June. Earnings on donor-restricted endowment assets considered unrestricted for operations and recorded directly to investment income without donor restrictions.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
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8. Endowment (continued)

The composition of endowment net assets by type is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2024:			
Board designated	\$ 6,045,860	\$ -	\$ 6,045,860
Donor restricted	<u>-</u>	<u>521,250</u>	<u>521,250</u>
Total	<u>\$ 6,045,860</u>	<u>\$ 521,250</u>	<u>\$ 6,567,110</u>
December 31, 2023:			
Board designated	\$ 5,679,683	\$ -	\$ 5,679,683
Donor restricted	<u>-</u>	<u>521,250</u>	<u>521,250</u>
Total	<u>\$ 5,679,683</u>	<u>\$ 521,250</u>	<u>\$ 6,200,933</u>

Net assets with donor restrictions of \$521,250 at December 2024 and 2023, are restricted for investment in perpetuity and the related income is expendable to support operating activities of the Organization.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
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8. Endowment (continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2024:			
Endowment net assets, beginning of year	\$ 5,679,683	\$ 521,250	\$ 6,200,933
Investment returns:			
Net investment income	199,744	-	199,744
Net realized and unrealized gain	403,736	-	403,736
Total investment returns	<u>603,480</u>	<u>-</u>	<u>603,480</u>
Contributions	-	-	-
Appropriation of endowment assets for expenditures	<u>(237,303)</u>	<u>-</u>	<u>(237,303)</u>
Endowment net assets, end of year	<u>\$ 6,045,860</u>	<u>\$ 521,250</u>	<u>\$ 6,567,110</u>
December 31, 2023:			
Endowment net assets, beginning of year	\$ 5,325,174	\$ 521,250	\$ 5,846,424
Investment returns:			
Net investment income	169,463	-	169,463
Net realized and unrealized loss	375,105	-	375,105
Total investment returns	<u>544,568</u>	<u>-</u>	<u>544,568</u>
Contributions	-	-	-
Appropriation of endowment assets for expenditures	<u>(190,059)</u>	<u>-</u>	<u>(190,059)</u>
Endowment net assets, end of year	<u>\$ 5,679,683</u>	<u>\$ 521,250</u>	<u>\$ 6,200,933</u>

9. Board Designated Reserve

The Board of Directors designated \$2,434,540 and \$2,240,480 of net assets without donor restrictions as of December 31, 2024 and 2023, respectively, as a reserve for operations and future building maintenance. The Board of Directors designated \$3,611,320 and \$3,439,203 of net assets without donor restrictions as of December 31, 2024 and 2023, respectively, for endowment.

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Notes to Financial Statements
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10. Employee Benefit Plan

The Organization sponsors a SIMPLE IRA plan (the Plan) that covers all employees. The Organization makes matching contributions to the Plan up to 3% of the participant's eligible compensation. The Organization's contributions to the Plan were approximately \$11,000 and \$17,000 for the years ended December 31, 2024 and 2023, respectively, and recorded in payroll taxes and fringe benefits on the statements of functional expenses.

11. Concentration of Credit Risk

The Organization maintains its cash balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) of up to \$250,000 per account holder. At December 31, 2024, the Organization had approximately \$327,000 of cash in excess of federally insured limits. To control credit risk related to investments, the Organization maintains a diversified investment portfolio with limited concentration in any given region, industry, or economic characteristics. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks related to cash and investments.

12. Risks and Uncertainties

The Organization invests in various investment securities. Investment securities 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 accompanying financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Notes to Financial Statements
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13. Commitments

The Organization has commitments for maintenance contracts relating to their fundraising and donor management software and other equipment. As of December 31, 2024, the future commitments are approximately as follows:

Years ending December 31,	
2025	\$ 20,000
2026	20,000
2027	20,000
2028	<u>10,000</u>
	<u>\$ 70,000</u>