



RAPHAEL HOUSE OF SAN FRANCISCO, INC.

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JULY 31, 2016 AND JULY 31, 2015



RAPHAEL HOUSE OF SAN FRANCISCO, INC.

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Independent Auditors' Report

The Board of Directors
Raphael House of San Francisco, Inc.

We have audited the accompanying financial statements of Raphael House of San Francisco, Inc. (a California nonprofit public benefit corporation), which comprise the statements of financial position as of July 31, 2016 and July 31, 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation in the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Raphael House of San Francisco, Inc. as of July 31, 2016 and July 31, 2015, 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.

A handwritten signature in cursive script that reads "Riva Accountancy Corporation".

Certified Public Accountants

San Francisco, California

December 19, 2016

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>July 31, 2016</u>	<u>July 31, 2015</u>
CURRENT:		
Cash and cash equivalents	\$ 799,954	\$ 1,162,167
Receivables - other	3,337	9,799
Grants and pledges receivable, net	619,062	686,839
Inventory	13,458	7,997
Prepaid expenses	45,925	47,283
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	1,481,736	1,914,085
LONG-TERM:		
Investments:		
Unrestricted investments	1,530,345	1,822,230
Beneficial interest in endowment investments	1,506,981	1,566,748
	<hr/>	<hr/>
Total investments	3,037,326	3,388,978
Grants and pledges receivable, long-term	335,333	699,340
Property, equipment and improvements, net (encumbered)	3,067,738	3,107,816
	<hr/>	<hr/>
TOTAL ASSETS	\$ 7,922,133	\$ 9,110,219
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT:		
Accounts payable and accrued expenses	\$ 103,430	\$ 54,012
Accrued compensation and vacation	77,198	80,343
Current portion of note payable	15,384	15,384
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	196,012	149,739
LONG-TERM:		
Note payable, net of current portion	16,674	32,058
Security deposits	7,500	7,500
	<hr/>	<hr/>
TOTAL LIABILITIES	220,186	189,297
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted net assets:		
Undesignated	3,726,255	3,585,003
Board designated	1,552,864	1,856,658
	<hr/>	<hr/>
Total unrestricted net assets	5,279,119	5,441,661
Temporarily restricted net assets	1,297,512	2,353,945
Permanently restricted net assets	1,125,316	1,125,316
	<hr/>	<hr/>
TOTAL NET ASSETS	7,701,947	8,920,922
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 7,922,133	\$ 9,110,219
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See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
PUBLIC SUPPORT:				
Donations from individuals	\$ 703,275	\$ 20,050	\$ -	\$ 723,325
Foundation grants	360,285	84,300	-	444,585
Bequests	9,567	-	-	9,567
Donations from corporations and businesses	199,338	60,000	-	259,338
Special events income, net	484,672	-	-	484,672
Donations from churches and civic groups	64,707	15,000	-	79,707
In-kind services	106,942	-	-	106,942
	<u>1,928,786</u>	<u>179,350</u>	<u>-</u>	<u>2,108,136</u>
REVENUES:				
Investment loss, net	(2,840)	252	-	(2,588)
Rental income	48,362	-	-	48,362
Fees for services	615	-	-	615
Miscellaneous	6,750	-	-	6,750
	<u>52,887</u>	<u>252</u>	<u>-</u>	<u>53,139</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>1,236,035</u>	<u>(1,236,035)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND TRANSFERS				
	<u>3,217,708</u>	<u>(1,056,433)</u>	<u>-</u>	<u>2,161,275</u>
EXPENSES:				
Program services:				
Residential Shelter Program	990,930	-	-	990,930
Children's Programs	606,147	-	-	606,147
Bridge Program	497,762	-	-	497,762
Meal Program	398,621	-	-	398,621
	<u>2,493,460</u>	<u>-</u>	<u>-</u>	<u>2,493,460</u>
Total program services	2,493,460	-	-	2,493,460
Management and general	370,859	-	-	370,859
Fundraising	515,931	-	-	515,931
	<u>3,380,250</u>	<u>-</u>	<u>-</u>	<u>3,380,250</u>
TOTAL EXPENSES				
	<u>3,380,250</u>	<u>-</u>	<u>-</u>	<u>3,380,250</u>
CHANGE IN NET ASSETS	(162,542)	(1,056,433)	-	(1,218,975)
NET ASSETS, beginning of year	<u>5,441,661</u>	<u>2,353,945</u>	<u>1,125,316</u>	<u>8,920,922</u>
NET ASSETS, end of year	<u>\$ 5,279,119</u>	<u>\$ 1,297,512</u>	<u>\$ 1,125,316</u>	<u>\$ 7,701,947</u>

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
PUBLIC SUPPORT:				
Donations from individuals	\$ 506,422	\$ 629,979	\$ -	\$ 1,136,401
Foundation grants	482,288	1,314,848	-	1,797,136
Bequests	110,036	-	-	110,036
Donations from corporations and businesses	152,474	46,195	-	198,669
Special events income, net	468,391	-	-	468,391
Donations from churches and civic groups	36,520	25,100	-	61,620
In-kind services	98,054	-	-	98,054
	1,854,185	2,016,122	-	3,870,307
REVENUES:				
Investment income, net	104,734	80,848	-	185,582
Rental income	55,682	-	-	55,682
Fees for service	33,489	-	-	33,489
	193,905	80,848	-	274,753
NET ASSETS RELEASED FROM RESTRICTIONS				
	1,238,089	(1,238,089)	-	-
TOTAL SUPPORT, REVENUES AND TRANSFERS				
	3,286,179	858,881	-	4,145,060
EXPENSES:				
Program services:				
Residential Shelter Program	998,076	-	-	998,076
Children's Programs	475,448	-	-	475,448
Bridge Program	469,406	-	-	469,406
Meal Program	403,791	-	-	403,791
	2,346,721	-	-	2,346,721
Total program expenses	2,346,721	-	-	2,346,721
Management and general	536,372	-	-	536,372
Fundraising	629,133	-	-	629,133
	3,512,226	-	-	3,512,226
TOTAL EXPENSES				
	3,512,226	-	-	3,512,226
CHANGE IN NET ASSETS	(226,047)	858,881	-	632,834
NET ASSET RECLASSIFICATION	1,650	-	(1,650)	-
NET ASSETS, beginning of year	5,666,058	1,495,064	1,126,966	8,288,088
NET ASSETS, end of year	\$ 5,441,661	\$ 2,353,945	\$ 1,125,316	\$ 8,920,922

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2016

	Programs and Services							
	Residential Shelter Program	Children's Programs	Bridge Program	Meal Program	Total	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 529,930	\$ 309,753	\$ 242,807	\$ 177,879	\$ 1,260,369	\$ 188,343	\$ 270,998	\$ 1,719,710
Payroll taxes	39,505	22,769	17,573	12,736	92,583	15,706	24,614	132,903
Employee benefits	51,605	31,563	21,269	28,301	132,738	35,024	19,630	187,392
Workers' compensation insurance	26,722	18,474	14,404	9,865	69,465	1,596	2,096	73,157
Total staff expense	647,762	382,559	296,053	228,781	1,555,155	240,669	317,338	2,113,162
Development expense	5,706	1,587	1,718	1,983	10,994	927	52,595	64,516
General and administrative	30,201	5,038	4,944	5,666	45,849	45,479	25,285	116,613
Occupancy	84,272	11,799	4,338	13,958	114,367	14,085	3,683	132,135
Internships	12,610	31,283	10,393	5,080	59,366	-	4,400	63,766
Clinical supervision	12,318	-	12,317	-	24,635	-	-	24,635
Direct assistance to individuals	3,526	3,603	97,513	-	104,642	-	-	104,642
Children's activities and education	4,944	100,422	-	-	105,366	-	-	105,366
Food and other kitchen expense	78	-	22	86,362	86,462	33	77	86,572
Technology	32,789	13,436	18,223	7,488	71,936	7,374	21,253	100,563
Staff training and subscriptions	3,151	494	1,341	510	5,496	1,618	2,454	9,568
Supplies	34,669	2,337	1,955	3,016	41,977	4,214	2,518	48,709
Legal	20,471	5,849	6,336	7,311	39,967	27,806	5,361	73,134
Printing, copying and publication	3,201	793	860	992	5,846	463	3,040	9,349
Postage and shipping	573	2,827	50	64	3,514	638	8,166	12,318
Telephone	5,722	1,620	1,755	2,026	11,123	946	1,485	13,554
Transportation	267	3,155	779	1,235	5,436	3,215	474	9,125
Furniture and equipment	6,024	3,187	425	3,157	12,793	148	314	13,255
Total expenses before depreciation and amortization, disposals and bad debt	908,284	569,989	459,022	367,629	2,304,924	347,615	448,443	3,100,982
Depreciation	82,646	36,158	38,740	30,992	188,536	23,244	46,488	258,268
Uncollectible contributions	-	-	-	-	-	-	21,000	21,000
TOTAL EXPENSES	\$ 990,930	\$ 606,147	\$ 497,762	\$ 398,621	\$ 2,493,460	\$ 370,859	\$ 515,931	\$ 3,380,250

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2015

	Programs and Services							Total Expenses
	Residential Shelter Program	Children's Programs	Bridge Program	Meal Program	Total	Management and General	Fundraising	
Salaries and wages	\$ 495,700	\$ 228,701	\$ 235,664	\$ 186,932	\$ 1,146,997	\$ 113,722	\$ 245,289	\$ 1,506,008
Payroll taxes	33,639	15,320	16,209	13,021	78,189	7,190	16,958	102,337
Employee benefits	53,746	19,362	24,160	17,556	114,824	14,186	23,178	152,188
Workers' compensation insurance	30,702	11,087	12,793	10,234	64,816	8,049	12,793	85,658
Total staff expense	613,787	274,470	288,826	227,743	1,404,826	143,147	298,218	1,846,191
Development expense	2,266	676	768	795	4,505	470	141,173	146,148
General and administrative	34,554	4,322	3,769	4,560	47,205	253,367	21,635	322,207
Occupancy	82,841	9,198	4,053	10,524	106,616	82,954	3,586	193,156
Internships	21,336	18,619	7,460	12,436	59,851	-	250	60,101
Clinical supervision	11,335	-	10,660	-	21,995	-	-	21,995
Direct assistance to individuals	3,276	809	91,422	-	95,507	-	-	95,507
Children's activities and education	1,210	102,178	50	-	103,438	-	-	103,438
Food and other kitchen expense	87	1,202	-	97,735	99,024	18	-	99,042
Technology	42,751	11,478	14,718	13,001	81,948	6,544	20,947	109,439
Staff training and subscriptions	1,749	269	410	-	2,428	4,693	4,467	11,588
Supplies	32,694	4,566	2,309	2,723	42,292	6,263	2,198	50,753
Legal	24,053	6,872	7,445	1,744	40,114	7,660	9,495	57,269
Printing, copying and publication	2,275	628	1,898	739	5,540	367	20,589	26,496
Postage and shipping	1,549	2,176	501	558	4,784	1,242	7,276	13,302
Telephone	5,518	1,503	1,628	1,878	10,527	1,236	1,377	13,140
Transportation	2,053	5,644	448	2,922	11,067	1,733	403	13,203
Furniture and equipment	25,409	-	-	-	25,409	1,292	-	26,701
Total expenses before depreciation and amortization, disposals and bad debt	908,743	444,610	436,365	377,358	2,167,076	510,986	531,614	3,209,676
Depreciation	70,184	30,838	33,041	26,433	160,496	19,825	39,649	219,970
Loss on disposal of assets	19,149	-	-	-	19,149	5,561	-	24,710
Uncollectible contributions	-	-	-	-	-	-	57,870	57,870
TOTAL EXPENSES	\$ 998,076	\$ 475,448	\$ 469,406	\$ 403,791	\$ 2,346,721	\$ 536,372	\$ 629,133	\$ 3,512,226

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>July 31, 2016</u>	<u>Year Ended</u> <u>July 31, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (1,218,975)</u>	<u>\$ 632,834</u>
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	258,268	219,970
Loss on disposal of assets	-	24,710
Change in allowance for doubtful accounts	14,500	9,500
Uncollectible contributions	6,500	48,370
Unrealized and realized (gain) loss on investments	35,697	(197,763)
Changes in assets and liabilities:		
Receivables - other	6,462	651
Grants and pledges receivable	410,784	(195,365)
Inventory	(5,461)	(2,784)
Prepaid expenses	1,359	7,061
Accounts payable and accrued expenses	49,418	25,829
Accrued compensation and vacation	(3,145)	23,838
 Total adjustments	 <u>774,382</u>	 <u>(35,983)</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 <u>(444,593)</u>	 <u>596,851</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,758,448)	(3,513,547)
Proceeds from the sale of investments	2,074,403	4,287,213
Additions to property, equipment and improvements	(218,190)	(514,797)
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>97,765</u>	 <u>258,869</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(15,384)	(15,384)
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(15,384)</u>	 <u>(15,384)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (362,212)	 840,336
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>1,162,167</u>	 <u>321,831</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u>\$ 799,955</u>	 <u>\$ 1,162,167</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Non-cash transactions:		
Contribution of investments	\$ 31,287	\$ 1,340,366

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Raphael House was established in 1971 as one of two shelters operated by Christ the Savior Brotherhood, an Eastern Orthodox Christian brotherhood. On August 1, 1991, the shelter became separately incorporated as Raphael House of San Francisco, Inc. (hereafter, the Organization), with its own community-based Board of Directors.

The Organization accounts for its programs by structuring its accounting system using separate operating units:

- Residential Shelter Program - provides parents and children a warm and safe family-centered community where they participate in a wide range of services that strengthen the whole family as they work toward achieving long-term stable housing and financial independence.
- Children's Programs (Academic Enrichment, Residential Children's Program, and Bridge Children's Program) - an interactive model of engagement in which The Organization works closely with both children and their parents, using a combination of structure, play, and parent education to foster each child's development, reinforce healthy family bonds, and build self-confidence. The services include K-12 academic tutoring and mentoring and financial support for academic and extracurricular activities.
- Bridge Program - provides families from the Residential Shelter Program and families from the broader community with long-term case management; housing subsidies and assistance; mental-health counseling; career building and job placement services; educational workshops in areas such as financial literacy, parenting, and wellness; children's services; and social activities and outings aimed at strengthening the family bond.
- Meal Program – provides daily meals to all families in the Residential Shelter Program, as well as special events for Bridge Program clients.
- Administration and Development – costs of administration and fundraising are classified in their respective cost centers for accounting and financial reporting.

Financial statement presentation:

The Organization prepares its financial statements following professional accounting standards where the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted net assets:

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor imposed stipulations.

Board designated:

The portion of unrestricted net assets that the board has set aside for specific purposes. The board's policy is to set aside a portion of all estate gifts as board designated. The board must provide approval to use these funds. The board at its discretion can change the stipulations under which these funds can be utilized.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued):

Financial statement presentation (continued):

Temporarily restricted net assets:

The portion of net assets whose use by the Organization is limited by donor imposed stipulations that either will be fulfilled or expire by passage of time.

Permanently restricted net assets:

The portion of net assets whose use by the Organization is limited by donor imposed stipulations that the net assets be held in perpetuity and its income be used for the stipulated purposes.

Cash equivalents:

Cash and cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less. At times, these accounts may exceed federally insured limits.

Receivables:

Accounts receivable represent amounts billed but not yet collected for services.

Grants, pledges and trade receivables are stated at the amounts management expects to collect from outstanding balances. The Organization has determined an allowance for doubtful accounts of \$29,500 and \$25,000, as of July 31, 2016 and July 31, 2015, respectively, is necessary based on management's evaluation and adjustment of a current aging of the accounts.

It is the Organization's policy to charge-off uncollectible receivables when management determines the amount is uncollectable. The organization wrote off receivables totaling \$6,500 and \$48,370 for the years ended July 31, 2016 and July 31, 2015, respectively.

Property, equipment and improvements:

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for improvements and repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Construction in Progress consists of assets that are under construction and have not yet been put into service. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Property and equipment are depreciated using the straight-line method over useful lives ranging from 5 to 30 years. Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Investments:

The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments (Continued):

The Organization holds its endowment investments with the San Francisco Foundation. The endowment investments are held in two funds; the Agency Endowment Fund and the One Organization Fund. These funds of the San Francisco Foundation invest in various investment vehicles. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Professional accounting standards establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data, by correlation or other means.
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If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The San Francisco Foundation uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which do not have readily determinable fair value.

Accrued vacation:

The Organization accrues accumulated unpaid annual leave when earned by the employee. Generally, annual leave must be taken during the calendar year earned. However, up to 240 hours may be carried forward per calendar year. Eligible employees who end their employment with the Organization are reimbursed for each day of accumulated annual leave.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue recognition:

Donations are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Donations are recorded at their fair value as unrestricted support, temporarily restricted support or permanently restricted support, depending on the absence or existence of donor-imposed restrictions, as applicable. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributed services:

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of specialized nature. There were contributed legal services meeting these criteria for the years ended July 31, 2016 and July 31, 2015. A substantial number of volunteers have donated significant time and effort to the Organization's fundraising campaigns and agency services programs; the dollar value of which is not reflected in the financial statements since no objective basis is available to measure the fair value of such services.

Functional allocation of expenses:

Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on management estimates.

Allocation of joint costs:

The Organization mailed newsletters that included fundraising and program components. The costs of conducting those activities which are not specifically attributable to particular component of the activities are allocated.

Income taxes:

The Organization has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d).

Accounting changes:

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07 Fair Value Measurement (Topic 820); *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. The ASU removes the requirement to categorize investments measured at fair value using net asset value (NAV) as a practical expedient within the fair value hierarchy. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted and applied retrospectively. The Organization adopted the provisions of ASU 2015-07 for the year ended July 31, 2016.

Reclassifications:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Subsequent events:

Management has evaluated subsequent events through December 19, 2016, the date which the financial statements were available for issue. No significant events were identified that require any additional disclosure.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 2. NATURE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts, pledges and grants receivable. The Organization places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. Investments are held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation.

The Organization is vulnerable to the inherent risk associated with revenue that is substantially dependent on public support and contributions. The continued growth and well-being of the Organization is contingent upon successful achievement of its long-term revenue-raising goals.

Note 4. INVESTMENTS:

The following table sets forth by level, the fair value hierarchy, of the Organization's unrestricted investments at fair value as of July 31, 2016:

Investments at Fair Value as of July 31, 2016

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity funds	\$ 1,375,890	\$ -	\$ -	\$ 1,375,890
Bond funds	<u>154,455</u>	<u>-</u>	<u>-</u>	<u>154,455</u>
Total investments at fair value	<u>\$ 1,530,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,530,345</u>

The following table sets forth by level, the fair value hierarchy, of the Organization's unrestricted investments at fair value as of July 31, 2015:

Investments at Fair Value as of July 31, 2015

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity funds	\$ 1,718,350	\$ -	\$ -	\$ 1,718,350
Bond funds	<u>103,880</u>	<u>-</u>	<u>-</u>	<u>103,880</u>
Total investments at fair value	<u>\$ 1,822,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,822,230</u>

Equity funds and Bond funds for the years ended July 31, 2016 and July 31, 2015, were held in various mutual funds.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 4. INVESTMENTS (Continued):

Investment income is as follows for the years ended July 31:

	2016	2015
Interest and dividend income	\$ 44,971	\$ 31,830
Realized gains (losses) on sales of investments	(99,388)	98,175
Unrealized gains (losses)	63,691	99,588
Investment fees	(11,862)	(44,011)
Total investment income	\$ (2,588)	\$ 185,582

Note 5. BENEFICIAL INTEREST IN ENDOWMENT ASSETS:

Fair value of beneficial interest in assets – The Organization invests in a diversified investment pool offered by the San Francisco Foundation (“SFF”). SFF has the Organization’s investment account under its management. The Organization’s share of the pool is recorded as beneficial interest in assets. The beneficial interest in assets is stated at fair value. The fair value is based on the net asset value of the pooled assets and the Organization's ownership interest in the pool. Net asset values are evaluated by the Organization to determine if the values of these investments should be adjusted. Factors considered may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Valuations are reviewed at least annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies.

Note 6. ENDOWMENTS:

As required by professional accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment fund was created to produce income in order to help fund the ongoing operational expenses of the Organization. The investments are held in accounts at SFF. All funds are level two pooled funds. The Organization has a beneficial interest in the Agency Endowment Fund which will be permanently held by the SFF. The One Origination Fund consists of assets invested with the SFF. The composition of the endowment fund at July 31, 2016, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Agency Endowment Fund	\$ 23,839	\$ 99,270	\$ 123,109
One Organization Fund	357,826	1,026,046	1,383,872
Total endowment investments	\$ 381,665	\$ 1,125,316	\$ 1,506,981

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 6. ENDOWMENTS (Continued):

The composition of the endowment fund at July 31, 2015, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Agency Endowment Fund	\$ 30,558	\$ 99,270	\$ 129,828
One Organization Fund	<u>410,874</u>	<u>1,026,046</u>	<u>1,436,920</u>
Total endowment investments	<u>\$ 441,432</u>	<u>\$ 1,125,316</u>	<u>\$ 1,566,748</u>

Net changes in endowment investment funds were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Beginning investment balance at July 31, 2014	<u>\$ 417,742</u>	<u>\$ 1,125,316</u>	<u>\$ 1,543,058</u>
Investment return:			
Interest and dividends	10,788	-	10,788
Unrealized gain	90,628	-	90,628
Investment expense	<u>(20,568)</u>	<u>-</u>	<u>(20,568)</u>
Total investment return	<u>80,848</u>	<u>-</u>	<u>80,848</u>
Appropriations of endowment earnings for expenditure	<u>(57,158)</u>	<u>-</u>	<u>(57,158)</u>
Ending investment balance at July 31, 2015	<u>441,432</u>	<u>1,125,316</u>	<u>1,566,748</u>
Investment return:			
Interest and dividends	11,321	-	11,321
Realized/unrealized gains	(6,230)	-	(6,230)
Investment expense	<u>(4,839)</u>	<u>-</u>	<u>(4,839)</u>
Total investment return	<u>252</u>	<u>-</u>	<u>252</u>
Appropriations of endowment earnings for expenditure	<u>(60,019)</u>	<u>-</u>	<u>(60,019)</u>
Ending investment balance at July 31, 2016	<u>\$ 381,665</u>	<u>\$ 1,125,316</u>	<u>\$ 1,506,981</u>

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 6. ENDOWMENTS (Continued):

Interpretation of Relevant Law:

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds. The Organization classifies as permanently restricted net assets the original value of all gifts donated to the permanent endowment. These donor-restricted funds are to be held in perpetuity. When earnings and appreciation in the fund exceed the original gift amount, those earnings will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment policy:

Gifts to the endowment fund will be invested with the objective of growing the endowment to help fund operational expenses. The Organization relies on the investment strategies of the SFF, which holds the endowment funds, to achieve its investment objectives,

Spending policy:

The Organization receives regular distribution amounts determined by the SFF. These amounts are determined based on the investment results of the funds. The Organization believes that these distributions comply with the guidelines set forth by UPMIFA. These distributions are utilized to support Raphael House operations.

Funds with deficiencies:

From time to time, the fair value of assets in the endowment fund will fall below the amount of the original gifts. These deficiencies result from unfavorable market fluctuations that occurred subsequent to receipt of the original gifts. There are no funds with deficiencies at July 31, 2016 and July 31, 2015.

Note 7. GRANTS AND PLEDGES RECEIVABLE:

Grants and pledges receivable are comprised of the following at July 31:

	2016	2015
Foundation grants receivable	\$ 97,485	\$ 214,750
Individual contributions receivable	52,250	317,024
Corporate contributions receivable	641,840	641,840
Bequests receivable	192,320	237,565
Totals	983,895	1,411,179
Allowance for doubtful accounts	(29,500)	(25,000)
Balances	\$ 954,395	\$ 1,386,179
Classified as:		
Current	\$ 619,062	\$ 686,839
Long-term	335,333	699,340
	\$ 954,395	\$ 1,386,179

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 8. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at July 31:

	2016	2015
Land	\$ 800,000	\$ 800,000
Building and improvements	4,276,127	4,105,799
Computers and equipment	163,478	163,478
Furniture and fixtures	135,904	88,042
 Totals	 5,375,509	 5,157,319
Less accumulated depreciation	(2,307,771)	(2,049,503)
 Property and equipment, net	 <u>\$ 3,067,738</u>	 <u>\$ 3,107,816</u>

Depreciation expense was \$258,268 and \$219,970 for the years ended July 31, 2016 and July 31, 2015, respectively. The building is pledged as collateral on a deed of trust (see Note 16).

Note 9. LINE OF CREDIT:

The Organization has a \$500,000 unsecured revolving line of credit with Wells Fargo Bank, which may be used through May 10, 2017. The line of credit has a floating interest rate on the unpaid principal balance of the credit at the greater of the floating rate equal to the Index plus 1.00% or the Floor Rate of 5.0%. As of July 31, 2016 and July 31, 2015, no amounts had been drawn down.

Note 10. NOTE PAYABLE:

In September 2003, the Organization obtained a loan from Christ the Savior Brotherhood (CSB) in the amount of \$200,000, as evidenced by a promissory note. The note requires monthly payments of principal of \$1,282 commencing on September 8, 2005, and continuing until August 8, 2018, without interest until maturity, when the remaining unpaid balance will be due and payable in full. If the note is not paid in full by August 8, 2018, interest is due at the rate of 12% per annum until paid. The balance of the note at July 31, 2016 and July 31, 2015, was \$32,058 and \$47,442, respectively. Principal maturities of the note payable are as follows:

Years Ending July 31,	Amount
2017	\$ 15,384
2018	15,384
2019	1,290
 Total	 <u>\$ 32,058</u>

Total interest paid during the years ended July 31, 2016 and July 31, 2015 was \$0.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 11. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following as of July 31, 2016.

	Beginning Balance	Contributions and income	Released from Restriction	Ending Balance
Children’s Program Fund	\$ 14,741	\$ 12,500	\$ (14,741)	\$ 12,500
Academic Enrichment	-	40,000	(40,000)	-
Residential Fund	17,500	-	(17,500)	-
Meal Program	26,250	31,800	(26,250)	31,800
Growth Campaign	1,792,522	45,050	(1,012,847)	824,725
Timing restriction	61,500	50,000	(61,500)	50,000
Endowment and general operations	<u>441,432</u>	<u>252</u>	<u>(63,197)</u>	<u>378,487</u>
 Total temporarily restricted assets	 <u>\$ 2,353,945</u>	 <u>\$ 179,602</u>	 <u>\$ (1,236,035)</u>	 <u>\$ 1,297,512</u>

Growth Campaign:

In response to the growing population of homeless families in San Francisco, the Organization during 2014 implemented the Foundations for Families Campaign (“expansion campaign”); a three-year plan to grow its impact to reach an additional 200 families – 67% more than the Organization has served historically. The objective is for 500 families, or nearly 2,000 individuals, to directly benefit from the Organization’s programs on an annual basis.

The expansion campaign is providing funding that enables the Organization to grow its impact by raising an additional \$3 million over and above its usual annual fundraising goal, over a three-year period beginning in 2014.

The Organization utilized expansion campaign funds during the year ended July 31, 2015, to renovate the third floor of the residential shelter building. The renovation added eight additional family residential rooms, bringing the total available shelter rooms to 31. This additional space enables the Organization to serve at least 80 families annually in the Residential Shelter Program, an increase of 33% over prior capacity. Other third-floor rooms constructed during the same period that added to existing shelter capacity were a children’s playroom and a family gathering room.

Funding from the expansion campaign has enabled the Organization to expand and sustain important components of its supportive services. Expansion campaign revenues fund a number of key program services: additional case management services; increased housing assistance and rental subsidy support to clients; expanded vocational, educational, and employer partnership activities within the community; and additional capacity in mental health services and in programs that leverage the support of community volunteers.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 11. TEMPORARILY RESTRICTED NET ASSETS (Continued):

Temporarily restricted net assets consisted of the following as of July 31, 2015.

	Beginning Balance	Contributions and income	Released from Restriction	Ending Balance
Children's Program Fund	\$ 6,000	\$ 19,546	\$ (10,805)	\$ 14,741
Academic Enrichment	36,000	-	(36,000)	-
Residential Fund	15,000	17,500	(15,000)	17,500
Meal Program	30,000	35,000	(38,750)	26,250
Fundraising	8,200	-	(8,200)	-
Facility upgrade	39,916	-	(39,916)	-
Growth Campaign	942,206	1,882,577	(1,032,261)	1,792,522
Timing restriction	-	61,500	-	61,500
Endowment and general operations	<u>417,742</u>	<u>80,847</u>	<u>(57,157)</u>	<u>441,432</u>
 Total temporarily restricted assets	 <u>\$ 1,495,064</u>	 <u>\$ 2,096,970</u>	 <u>\$ (1,238,089)</u>	 <u>\$ 2,353,945</u>

Note 12. ALLOCATION OF JOINT COSTS:

During the years ended July 31, 2016 and July 31, 2015, the Organization mailed newsletters that included fundraising and program components. The joint cost of conducting those activities was \$16,960 and \$9,806 for the years ended July 31, 2016 and July 31, 2015, respectively, which are not specifically attributable to particular components of the activities. The joint costs were allocated as follows:

	2016	2015
Fundraising	\$ 2,997	\$ 2,059
Program	<u>13,963</u>	<u>7,747</u>
	<u>\$ 16,960</u>	<u>\$ 9,806</u>

Note 13. SPECIAL EVENTS:

During the years ended July 31, 2016 and July 31, 2015, the Organization held a fundraising gala event and a second fundraising event. Total revenues and expenses related to the events are as follows:

	2016	2015
Total receipts	\$ 692,582	\$ 653,097
Total expenses	<u>207,910</u>	<u>184,706</u>
Special events, net	<u>\$ 484,672</u>	<u>\$ 468,391</u>

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2016 AND JULY 31, 2015

Note 14. RENTAL INCOME:

The Organization leases space to a tenant under a non-cancelable operating lease expiring August 31, 2017. The following is a schedule by years of future minimum rentals under the leases at July 31, 2016.

Years Ending July 31,	Amount
2017	\$ 49,571
2018	<u>4,139</u>
Total	<u>\$ 53,710</u>

Note 15. LEASE COMMITMENTS:

The Organization leases equipment that has initial or remaining non-cancelable operating lease terms in excess of one year of July 31, 2016. The Organization's future minimum lease payments are as follows:

Years Ending July 31,	Amount
2017	\$ 14,899
2018	<u>11,393</u>
	<u>\$ 26,292</u>

Note 16. CONTINGENCIES:

In June 2002, the Organization received a grant in the amount of \$300,000 from the Northern California Community Loan Fund in support of the purchase and renovation of the Organization's building. The provisions of the grant state that the Organization must deliver its charitable services for a period of 55 years and failure to do so would require repayment of the total amount plus interest at 10% per annum. The grant obligation is secured by a deed of trust on the building. Interest has not been accrued since the Organization continues to deliver its charitable services.