

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JULY 31, 2011

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 statement of financial position of Raphael House of San Francisco, Inc. (a California not-for-profit corporation) as of July 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RINA Accountancy Corporation

Certified Public Accountants

San Francisco, California
March 26, 2012

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FINANCIAL POSITION - JULY 31, 2011

ASSETS

CURRENT:

Cash and cash equivalents	\$ 807,429
Accounts receivable	19,360
Grants and pledges receivable	302,542
Inventory	6,349
Prepaid expenses	47,144

TOTAL CURRENT ASSETS 1,182,824

LONG TERM:

Unrestricted investments	850,715
Endowment investments	1,329,540
Property, equipment and improvements, net (encumbered)	2,764,570
Construction in progress	133,881

TOTAL ASSETS \$ 6,261,530

LIABILITIES AND NET ASSETS

CURRENT:

Current portion of note payable	\$ 14,102
Accounts payable and accrued expenses	119,101
Accrued compensation and vacation	80,148

TOTAL CURRENT LIABILITIES 213,351

LONG TERM:

Note payable, net of current portion	93,594
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TOTAL LIABILITIES 306,945

NET ASSETS:

Unrestricted net assets:	
Undesignated	3,025,778
Board designated	1,129,839

Total unrestricted net assets	4,155,617
Temporarily restricted net assets	513,217
Permanently restricted net assets	1,285,751

TOTAL NET ASSETS 5,954,585

TOTAL LIABILITIES AND NET ASSETS \$ 6,261,530

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
PUBLIC SUPPORT:				
Donations from individuals	\$ 632,218	\$ 12,780	\$ 11,150	\$ 656,148
Foundation gifts and trusts	443,668	361,415	-	805,083
Donations from corporations and businesses	110,839	45,890	-	156,729
Special events income	317,077	-	-	317,077
Donations from churches and civic groups	5,596	12,840	-	18,436
In-kind services	55,212	-	-	55,212
	<u>1,564,610</u>	<u>432,925</u>	<u>11,150</u>	<u>2,008,685</u>
REVENUES:				
Thrift shop sales, net of expenses	7,158	-	-	7,158
Investment income	97,391	215,274	-	312,665
Fees for services	10,227	-	-	10,227
	<u>114,776</u>	<u>215,274</u>	<u>-</u>	<u>330,050</u>
Net assets released from restrictions	<u>380,625</u>	<u>(380,625)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND TRANSFERS	<u>2,060,011</u>	<u>267,574</u>	<u>11,150</u>	<u>2,338,735</u>
EXPENSES:				
Program services:				
Residential Shelter Program	1,179,118	-	-	1,179,118
AfterCare Program	611,433	-	-	611,433
Community Education Program	53,540	-	-	53,540
	<u>1,844,091</u>	<u>-</u>	<u>-</u>	<u>1,844,091</u>
Management and general	140,747	-	-	140,747
Fundraising	473,901	-	-	473,901
	<u>2,458,739</u>	<u>-</u>	<u>-</u>	<u>2,458,739</u>
CHANGE IN NET ASSETS	<u>(398,728)</u>	<u>267,574</u>	<u>11,150</u>	<u>(120,004)</u>
NET ASSETS, beginning of year	<u>4,554,345</u>	<u>245,643</u>	<u>1,274,601</u>	<u>6,074,589</u>
NET ASSETS, end of year	<u>\$ 4,155,617</u>	<u>\$ 513,217</u>	<u>\$ 1,285,751</u>	<u>\$ 5,954,585</u>

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2011

	Residential Shelter Program	AfterCare Program	Community Education Program	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 636,887	\$ 339,735	\$ 33,518	\$ 1,010,140	\$ 66,528	\$ 238,519	\$ 1,315,187
Payroll taxes	71,049	36,110	3,591	110,750	7,003	25,021	142,774
Employee benefits	53,449	20,838	2,674	76,961	5,572	11,714	94,247
Workers' compensation insurance	17,483	14,389	460	32,332	668	1,718	34,718
Other	180	-	-	180	250	595	1,025
Total staff expense	779,048	411,072	40,243	1,230,363	80,021	277,567	1,587,951
Development expense	-	-	5,995	5,995	-	122,552	128,547
Occupancy	84,134	8,230	-	92,364	1,083	1,754	95,201
Food	71,368	4,319	-	75,687	5	123	75,815
General administration expense	19,013	5,666	-	24,679	45,022	4,032	73,733
Children's activities and education	1,200	70,185	-	71,385	-	-	71,385
Legal	26,389	14,002	1,616	42,007	2,693	9,155	53,855
Direct assistance to individuals	28,026	14,733	-	42,759	-	-	42,759
Supplies	25,853	3,465	22	29,340	3,724	788	33,852
Printing, copying and publication	1,138	1,488	4,416	7,042	2,350	22,242	31,634
Transportation and vehicle insurance	20,246	3,718	-	23,964	2,634	2,326	28,925
Furniture and equipment	13,841	1,080	183	15,104	670	11,151	26,924
Telephone	14,502	313	-	14,815	440	-	15,255
Postage and shipping	213	1,309	1,065	2,587	899	8,277	11,763
Staff education	3,596	870	-	4,466	250	167	4,883
Volunteer coordination	150	90	-	240	-	4,037	4,277
Adult activities and education	1,846	2,145	-	3,991	-	-	3,991
Total expenses before depreciation and amortization	1,090,563	542,685	53,540	1,686,788	139,791	464,171	2,290,750
Depreciation and amortization	88,555	68,748	-	157,303	956	9,730	167,989
TOTAL EXPENSES	\$ 1,179,118	\$ 611,433	\$ 53,540	\$ 1,844,091	\$ 140,747	\$ 473,901	\$ 2,458,739

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED JULY 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	<u>\$ (120,004)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	167,989
Stock contributions	(3,452)
Permanently restricted contributions	(11,150)
Loss on disposal of assets	23,464
Unrealized and realized gain on investments	(298,150)
Changes in assets and liabilities:	
Restricted cash	503
Accounts receivable	(19,298)
Grants and pledges receivable	(118,957)
Inventory	(6,349)
Prepaid expenses	(40,674)
Accounts payable and accrued expenses	101,451
Accrued compensation and vacation	<u>8,511</u>
 Total adjustments	 <u>(196,112)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(316,116)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(908,710)
Proceeds from the sale of investments	762,619
Purchases of property, equipment and improvements	(36,368)
Construction in progress	<u>(133,381)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(315,840)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on note payable	(16,666)
Permanently restricted endowment contributions	<u>142,633</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>125,967</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (505,989)

CASH AND CASH EQUIVALENTS, beginning of year 1,313,418

CASH AND CASH EQUIVALENTS, end of year \$ 807,429

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2011

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 Saviour 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 primary purpose of the Organization is to assist and strengthen families in crisis through charitable and educational programs such as emergency shelter, crisis counseling, supportive and educational groups for parents, programs for children and other related services. The Organization achieves these objectives through the Residential Shelter Program, AfterCare Program and Community Education Program. The Organization's major source of income is from contributions from individuals, foundations, and businesses.

The Organization accounts for its programs by using separate operating funds:

- Adult Education Fund - Provides education to former residents.
- AfterCare Program Fund - Provides continuing support services to former residents, including counseling, after school tutorials, support groups, tenant advocacy and housing assistance, job skills training and job placement assistance.
- Chaplaincy Fund - Established to receive donations designated for the maintenance of the Raphael House Chapel, and for the purchase of books and other costs related to the chaplaincy.
- Children's Program Fund - Supports the full program offered to Residential and AfterCare children, including meals, children's supplies, a playroom staffed to provide both day and evening programs, after school tutorials, special events and recreational outings.
- Family Assistance Fund - Provides general financial assistance to homeless families, and helps with their immediate financial needs during transition and relocation.
- Shelter Facility Upgrade Fund - Used to upgrade the residential shelter and the adjoining building at 1045 -1049 Sutter Street, San Francisco.
- Volunteer Fund - Develops and strengthens the relationships with the community and generates volunteers for the programs.
- Residential Fund - To provide continuing support for the Residential Program.

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, 2011

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 equivalents includes demand deposit accounts, money market accounts and cash on hand which are not managed as part of long-term investment strategies. At times, these accounts may exceed federally insured limits.

Receivables:

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

Contributions and trade receivables are stated at the amounts management expect to collect from outstanding balances. There is no allowance for doubtful accounts and management believes all amounts will be collected in full.

Property and equipment:

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. 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.

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).

The Organization recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a "more-likely-than-not" threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. As of July 31, 2011, management has determined the Organization has no uncertain tax positions. The Organization recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. Income tax returns for the year prior to 2006 are no longer subject to examination by

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2011

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

Income taxes (Continued):

tax authorities. The Organization is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status.

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.

The Organization invests 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 reports 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.

Level 2 Inputs to the valuation methodology include:

- 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.

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.

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.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2011

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

Revenue recognition:

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred.

Contributions 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 this criteria for the year ended July 31, 2011. 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.

Subsequent event:

Management has evaluated subsequent events through March 26, 2012, the date which the financial statements were available for issue. No significant events were identified that require any additional disclosure.

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 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. The Organization has not experienced any losses in such accounts.

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.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2011

Note 4. FAIR VALUE MEASUREMENTS:

The following tables sets forth by level, the fair value hierarchy, the Organization's investments at fair value as of July 31, 2011:

Investments at Fair Value as of July 31, 2011

	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Pooled funds	\$ -	\$ 1,329,540	\$ -	\$ 1,329,540
Equity funds	749,949	-	-	749,949
Bonds funds	-	98,426	-	98,426
	<u>\$ 749,949</u>	<u>\$ 1,427,966</u>	<u>\$ -</u>	<u>\$ 2,177,915</u>
Money market funds				<u>2,340</u>
Total investments at fair value				<u>\$ 2,180,255</u>

Note 5. 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 Raphael House. The investments are held in accounts at the San Francisco Foundation (SFF). The composition of the endowment fund at July 31, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Agency Endowment Fund	\$ 19,000	\$ 12,710	\$ 80,270	\$ 111,980
One Organization Fund	-	195,664	1,021,896	1,217,560
Total endowment investments	\$ 19,000	\$ 208,374	\$ 1,102,166	\$ 1,329,540
Endowment pledges	-	-	183,584	183,584
Total endowment net assets	<u>\$ 19,000</u>	<u>\$ 208,374</u>	<u>\$ 1,285,750</u>	<u>\$ 1,513,124</u>

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2011

Note 5. ENDOWMENTS (Continued):

Net changes in endowment investment funds were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning investment balance at July 31, 2010	\$ 19,000	\$ -	\$ 959,533	\$ 978,333
Investment return:				
Interest and dividends	-	8,349	-	8,349
Unrealized gain	-	223,927	-	223,927
Investment expense	-	(17,002)	-	(17,002)
Total investment return	-	215,274	-	215,274
New investments	-		142,633	142,633
Appropriations of endowment earnings for expenditure	-	(6,900)	-	(6,900)
Ending investment balance at July 31, 2011	<u>\$ 19,000</u>	<u>\$ 208,374</u>	<u>\$ 1,102,166</u>	<u>\$ 1,329,540</u>

Net changes in endowment pledges receivable consist of the following at July 31, 2011:

Endowment pledges receivable at July 31, 2010	\$ 315,068
New pledges	11,150
Pledge payments	(142,633)
Endowment pledges receivable at July 31, 2011	<u>\$ 183,584</u>

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 San Francisco Foundation, which holds the endowment funds, to achieve its investment objectives,

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2011

Note 5. ENDOWMENTS (Continued):

Spending policy:

The Organization is in the process of establishing an appropriate long-term spending policy for the endowment. The current spending policy is an amount approved annually by the board based upon estimated investment earnings.

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, 2011.

Note 6. GRANTS AND PLEDGES RECEIVABLE:

Grants and pledges receivable are comprised of the following at July 31, 2011:

Foundation grants receivable	\$ 77,150
Individual contributions receivable	41,808
Endowment pledges	<u>183,584</u>
Balance	<u>\$ 302,542</u>

Note 7. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at July 31, 2011:

Land	\$ 800,000
Buildings and improvements	3,262,229
Vehicles	58,684
Furniture & fixtures	<u>81,273</u>
Total	4,202,186
Less accumulated depreciation	<u>1,437,616</u>
Property and equipment, net	<u>\$ 2,764,570</u>

Depreciation expense was \$167,989 for the year ended July 31, 2011.

Construction in progress consisted of various improvements to the building and totaled \$133,881 at July 31, 2011.

The building is secured by a deed of trust. See note 15.

Note 8. LINE OF CREDIT:

The Organization has a \$200,000 secured revolving line of credit with Wells Fargo Bank, which may be used through April 10, 2012. The line of credit has a floating interest rate equal to the bank's prime rate with a margin of 2.25%. As of July 31, 2011, no amounts had been drawn down.

Note 9. NOTE PAYABLE:

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2011

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. After maturity, interest is due at the rate of 12% per annum until paid. The balance of the note at July 31, 2011 was \$106,414.

Principal maturities of the note payable are as follows:

<u>Year ended</u> <u>July 31,</u>	<u>Amount</u>
2012	\$ 14,102
2013	15,384
2014	15,384
2015	15,384
2016	15,384
Thereafter	<u>30,776</u>
	<u>\$ 106,414</u>

Total interest paid during the year ended July 31, 2011 was \$0.

Note 10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes at July 31, 2011:

Children's Program Fund	\$ 20,712
After Care Fund	102,063
Shield Facility Upgrade	180,000
Residential Fund	2,068
Endowment	<u>208,374</u>
Total temporarily restricted assets	<u>\$ 513,217</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows at July 31, 2011:

Family Assistance Fund	\$ 1,367
Children's Program Fund	265,023
Chaplaincy Fund	1,164
After Care Fund	5,299
Residential Fund	94,890
Volunteer Fund	5,953
General operations - endowment	<u>6,900</u>
Total	<u>\$ 380,625</u>

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2011

Note 11. RELATED PARTY TRANSACTIONS:

As discussed in Note 8, the Organization has notes payable to Christ the Saviour Brotherhood, a related party. During the year ended July 31, 2011, the Organization made payments to CSB totaling \$16,666 in principal against the notes payable and \$53,082 in relocation expense.

Note 12. ALLOCATION OF JOINT COSTS:

During the year ended July 31, 2011, the Organization mailed newsletters that included fundraising and program components. The costs of conducting those activities included a total of \$9,745, of joint costs, which are not specifically attributable to particular components of the activities. The joint cost was allocated as follows:

Fundraising	\$ 1,462
Program	<u>8,283</u>
	<u>\$ 9,745</u>

Note 13. RETIREMENT PLAN:

The Organization maintains a 403(b) plan for all qualified employees. The Organization maintains fiduciary responsibility, but all contributions and investment decisions are made by plan participants. Employee contributions to the plan for the year ended July 31, 2011 were \$ 7,285.

Note 14. SPECIAL EVENTS:

During the year ended July 31, 2011, the Organization held a fundraising gala event and a second fundraising event. Total revenues and expenses related to the events are as follows:

Total receipts	\$ 317,077
Total expenses	<u>123,809</u>
Special events, net	<u>\$ 193,268</u>

Expenses are included in fundraising expenses.

Note 15. 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%. The grant obligation is secured by a deed of trust on the building. Interest has not been accrued.