Raphael House
Inspiring Families. Illuminating Hope.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JULY 31, 2015 AND JULY 31, 2014

RINA
accountancy corporation

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

TABLE OF CONTENTS
JULY 31, 2015 AND JULY 31, 2014

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 statement of financial position as of July 31, 2015 and July 31, 2014, 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 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, 2015 and July 31, 2014 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.

Riva Accountancy Corporation

Certified Public Accountants

San Francisco, California
February 12, 2016

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS	July 31, 2015	July 31, 2014
CURRENT:		
Cash and cash equivalents	$ 1,162,167	$ 321,831
Receivables - other	9,799	10,450
Grants and pledges receivable, net	686,839	848,684
Inventory	7,997	5,213
Prepaid expenses	47,283	54,343
TOTAL CURRENT ASSETS	1,914,085	1,240,521
LONG TERM:		
Investments:		
Unrestricted investments	1,822,230	2,421,824
Endowment investments	1,566,748	1,543,058
Total investments	3,388,978	3,964,882
Grants and pledges receivable, long term	699,340	400,000
Property, equipment and improvements, net (encumbered)	3,107,816	2,837,699
TOTAL ASSETS	$ 9,110,219	$ 8,443,102

LIABILITIES AND NET ASSETS	July 31, 2015	July 31, 2014
CURRENT:		
Accounts payable and accrued expenses	$ 61,512	$ 35,683
Accrued compensation and vacation	80,343	56,505
Current portion of note payable	15,384	15,384
TOTAL CURRENT LIABILITIES	157,239	107,572
LONG TERM:		
Note payable, net of current portion	32,058	47,442
TOTAL LIABILITIES	189,297	155,014
NET ASSETS:		
Unrestricted net assets:		
Undesignated	3,585,003	3,223,743
Board designated	1,856,658	2,442,315
Total unrestricted net assets	5,441,661	5,666,058
Temporarily restricted net assets	2,353,945	1,495,064
Permanently restricted net assets	1,125,316	1,126,966
TOTAL NET ASSETS	8,920,922	8,288,088
TOTAL LIABILITIES AND NET ASSETS	$ 9,110,219	$ 8,443,102

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 REVENUES:				
PUBLIC SUPPORT:				
Donations from individuals	$ 616,458	$ 629,979	$ -	$ 1,246,437
Foundation gifts and trusts	482,288	1,314,848	-	1,797,136
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
Total public support	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 services	33,489	-	-	33,489
Total revenues	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
Total program services	2,346,721	-	-	2,346,721
Management and general	536,372	-	-	536,372
Fundraising	629,133	-	-	629,133
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 ACTIVITIES

YEAR ENDED JULY 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
PUBLIC SUPPORT:				
Donations from individuals	$ 706,779	$ 1,112,698	$ -	$ 1,819,477
Foundation gifts and trusts	514,121	586,500	-	1,100,621
Donations from corporations and businesses	229,327	77,206	-	306,533
Special events income, net	373,057	8,200	-	381,257
Donations from churches and civic groups	28,577	-	-	28,577
In-kind services	260,374	-	-	260,374
Total public support	2,112,235	1,784,604	-	3,896,839
REVENUES:				
Investment income, net	169,353	149,805	-	319,158
Rental income	97,031	-	-	97,031
Fees for service	24,666	-	-	24,666
Total revenues	291,050	149,805	-	440,855
NET ASSETS RELEASED FROM RESTRICTIONS	967,234	(967,234)	-	-
TOTAL SUPPORT, REVENUES AND TRANSFERS	3,370,519	967,175	-	4,337,694
EXPENSES:				
Program services:				
Residential Shelter Program	846,016	-	-	846,016
Children's Programs	447,026	-	-	447,026
Bridge Program	432,034	-	-	432,034
Meal Program	379,014	-	-	379,014
Total program expenses	2,104,090	-	-	2,104,090
Management and general	180,931	-	-	180,931
Fundraising	512,930	-	-	512,930
TOTAL EXPENSES	2,797,951	-	-	2,797,951
LOSS ON UNCOLLECTIBLE PROMISE TO GIVE	-	-	(153,783)	(153,783)
CHANGE IN NET ASSETS	572,568	967,175	(153,783)	1,385,960
NET ASSETS, beginning of year	5,093,490	527,889	1,280,749	6,902,128
NET ASSETS, end of year	$ 5,666,058	$ 1,495,064	$ 1,126,966	$ 8,288,088

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2015

	Programs and Services							
	Residential Shelter Program	Children's Programs	Bridge Program	Meal Program	Total	Management and General	Fundraising	Total Expenses
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 and amortization	70,184	30,838	33,041	26,433	160,496	19,825	39,649	219,970
Disposals	19,149	-	-	-	19,149	5,561	-	24,710
Bad debt	-	-	-	-	-	-	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.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2014

	Programs and Services							
	Residential Shelter Program	Children's Programs	Bridge Program	Meal Program	Total	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 432,232	$ 216,887	$ 173,641	$ 173,070	$ 995,830	$ 102,702	$ 229,433	$ 1,327,965
Payroll taxes	32,731	15,958	13,132	12,219	74,040	7,911	16,995	98,946
Employee benefits	54,577	29,667	25,452	17,928	127,624	13,377	32,151	173,152
Workers' compensation insurance	15,201	8,582	7,146	5,234	36,163	2,872	8,607	47,642
Total staff expense	534,741	271,094	219,371	208,451	1,233,657	126,862	287,186	1,647,705
Development expense	-	-	23	-	23	212	53,841	54,076
General and administrative	38,714	6,897	4,938	3,795	54,344	27,208	20,439	101,991
Occupancy	59,251	20,235	16,717	17,120	113,323	9,644	3,343	126,310
Internships	33,895	20,487	13,726	21,667	89,775	267	2,538	92,580
Clinical supervision	9,968	-	9,968	-	19,936	-	-	19,936
Direct assistance to individuals	5,570	1,477	77,527	-	84,574	-	-	84,574
Children's activities and education	577	78,549	920	-	80,046	-	-	80,046
Marketing and branding	-	-	-	-	-	-	80,000	80,000
Food and other kitchen expense	565	1,612	53	80,420	82,650	1,022	623	84,295
Technology	23,402	9,905	8,738	7,096	49,141	2,780	15,538	67,459
Staff training and subscriptions	4,559	1,927	1,688	898	9,072	2,923	1,867	13,862
Supplies	24,084	3,935	3,243	3,379	34,641	2,193	2,558	39,392
Legal	17,388	7,571	5,846	6,272	37,077	2,876	8,502	48,455
Printing, copying and publication	6,846	2,768	2,868	1,840	14,322	790	10,031	25,143
Postage and shipping	649	2,381	373	183	3,586	955	8,988	13,529
Telephone	4,906	2,053	1,811	1,449	10,219	483	1,570	12,272
Transportation	684	2,604	433	2,957	6,678	783	1,007	8,468
Furniture and equipment	961	-	-	290	1,251	-	-	1,251
Total expenses before depreciation and amortization, and bad debt	766,760	433,495	368,243	355,817	1,924,315	178,998	498,031	2,601,344
Depreciation and amortization	79,256	13,531	63,791	23,197	179,775	1,933	11,598	193,306
Bad debt	-	-	-	-	-	-	3,301	3,301
TOTAL EXPENSES	$ 846,016	$ 447,026	$ 432,034	$ 379,014	$ 2,104,090	$ 180,931	$ 512,930	$ 2,797,951

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF CASH FLOWS

	Year Ended July 31, 2015	Year Ended July 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 632,834	$ 1,385,960
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities:		
Depreciation and amortization	219,970	193,306
Stock contributions	(1,340,366)	(43,658)
Loss on disposal of assets	24,710	-
Change in allowance for doubtful accounts	9,500	-
Loss on uncollectible promises to give	-	153,783
Bad debt	48,370	3,301
Unrealized and realized gain on investments	(197,763)	(279,491)
Changes in assets and liabilities:		
Receivables - other	651	70,092
Grants and pledges receivable	(195,365)	(1,075,083)
Inventory	(2,784)	675
Prepaid expenses	7,061	(3,884)
Accounts payable and accrued expenses	25,829	(9,634)
Accrued compensation and vacation	23,838	(10,564)
Total adjustments	(1,376,349)	(1,001,157)
NET CASH (USED BY) PROVIDED BY OPERATING ACTIVITIES	(743,515)	384,803
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,513,547)	(1,640,575)
Proceeds from the sale of investments	5,627,579	1,354,970
Purchases of property, equipment and improvements	(514,797)	(235,521)
NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES	1,599,235	(521,126)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(15,384)	(15,384)
NET CASH USED BY FINANCING ACTIVITIES	(15,384)	(15,384)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	840,336	(151,707)
CASH AND CASH EQUIVALENTS, beginning of year	321,831	473,538
CASH AND CASH EQUIVALENTS, end of year	$ 1,162,167	$ 321,831

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2015 AND JULY 31, 2014

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.

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

Financial statement presentation (continued):

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.

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.

Grants, pledges and trade receivables are stated at the amounts management expect to collect from outstanding balances. The Organization has determined an allowance for doubtful accounts of $25,000 and $16,500, for the years ended July 31, 2015 and July 31, 2014, 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 of receivables totaling $ 48,370 and $3,301 for the years ended July 31, 2015 and July 31, 2014, respectively. In addition, a permanently restricted promise to give of $153,783 was written off during the year ended July 31, 2014.

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.

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

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 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.
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.

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.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2015 AND JULY 31, 2014

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

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.

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 these criteria for the years ended July 31, 2015 and July 31, 2014. 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).

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 February 12, 2016, 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, 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 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.

Note 4. INVESTMENTS:

The following table sets forth by level, the fair value hierarchy, of the Organization's 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
Pooled funds	$ 862,198	$ 704,550	$ -	$ 1,566,748
Equity funds	1,718,351	-	-	1,718,351
Bond funds	-	103,880	-	103,880
Total investments at fair value	$ 2,580,549	$ 808,430	$ -	$ 3,388,979

Note 4. INVESTMENTS (Continued):

The following table sets forth by level, the fair value hierarchy, of the Organization's investments at fair value as of July 31, 2014:

Investments at Fair Value as of July 31, 2014

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Pooled funds	$ 486,263	$ 1,543,058	$ -	$ 2,029,321
Equity funds	1,832,850	-	-	1,832,850
Bond funds	-	102,711	-	102,711
Total investments at fair value	$ 2,319,113	$ 1,645,769	$ -	$ 3,964,882

Equity funds and Bond funds for the years ended July 31, 2015 and July 31, 2014, were held in various mutual funds.

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

	2015	2014
Interest and dividend income	$ 31,830	$ 76,109
Realized gains (losses) on sales of investments	98,175	-
Unrealized gains and losses	99,588	279,491
Investment fees	(44,011)	(36,442)
Total investment income	$ 185,582	$ 319,158

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). All funds are level two pooled funds. 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	410,874	1,026,046	1,436,920
Total endowment investments	$ 441,432	$ 1,125,316	$ 1,566,748

Note 5. ENDOWMENTS (Continued):

The composition of the endowment fund at July 31, 2014, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Agency Endowment Fund	$ 27,473	$ 99,270	$ 126,743
One Organization Fund	390,269	1,026,046	1,416,315
Total endowment investments	417,742	1,125,316	1,543,058
Endowment pledges	-	1,650	1,650
Total endowment net assets	$ 417,742	$ 1,126,966	$ 1,544,708

Net changes in endowment investment funds were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Beginning investment balance at July 31, 2013	$ 320,389	$ 1,125,316	$ 1,445,705
Investment return:			
Interest and dividends	10,315	-	10,315
Unrealized gain	150,514	-	150,514
Investment expense	(11,024)	-	(11,024)
Total investment return	149,805	-	149,805
Appropriations of endowment earnings for expenditure	(52,452)	-	(52,452)
Ending investment balance at July 31, 2014	417,742	1,125,316	1,543,058
Investment return:			
Interest and dividends	10,788	-	10,788
Unrealized gain	90,628	-	90,628
Investment expense	(20,568)	-	(20,568)
Total investment return	80,848	-	80,848
Appropriations of endowment earnings for expenditure	(57,158)	-	(57,158)
Ending investment balance at July 31, 2015	$ 441,432	$ 1,125,316	$ 1,566,748

Note 5. 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 San Francisco Foundation, which holds the endowment funds, to achieve its investment objectives,

Spending policy:

The Organization receives regular distribution amounts determined by the San Francisco Foundation. 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, 2015 and July 31, 2014.

Note 6. GRANTS AND PLEDGES RECEIVABLE:

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

	2015	2014
Foundation grants receivable	$ 214,750	$ 122,000
Individual contributions receivable	317,024	804,404
Corporate contributions receivable	641,840	5,000
Bequests receivable	237,565	317,280
Endowment pledges	-	16,500
Totals	1,411,179	1,265,184
Allowance for doubtful accounts	(25,000)	(16,500)
Balances	$ 1,386,179	$ 1,248,684
Classified as:		
Current	$ 686,839	$ 848,684
Long-term	699,340	400,000
	$ 1,386,179	$ 1,248,684

Note 7. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at July 31:

	2015	2014
Land	$ 800,000	$ 800,000
Building and improvements	4,105,799	3,658,168
Computers and equipment	163,478	152,857
Furniture and fixtures	88,042	151,505
Construction in progress	-	14,915
Totals	5,157,319	4,777,445
Less accumulated depreciation	2,049,503	1,939,746
Property and equipment, net	$ 3,107,816	$ 2,837,699

Depreciation expense was $219,970 and $193,306 for the years ended July 31, 2015 and July 31, 2014, respectively. The building is secured by a deed of trust (see Note 15).

Note 8. LINE OF CREDIT:

The Organization has a $300,000 unsecured revolving line of credit with Wells Fargo Bank, which may be used through April 10, 2016. 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 1.25% or the Floor Rate of 5.0%. As of July 31, 2015 and July 31, 2014, no amounts had been drawn down.

Note 9. 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, 2015 and July 31, 2014, was $47,442 and $62,826, respectively. Principal maturities of the note payable are as follows:

Years Ending July 31,	Amount
2016	$ 15,384
2017	15,384
2018	15,384
2019	1,290
Total	$ 47,442

Total interest paid during the years ended July 31, 2015 and July 31, 2014 was $0.

Note 10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following for the year ended at 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	417,742	80,847	(57,157)	441,432
Total temporarily restricted assets	$ 1,495,064	$ 2,096,970	$ (1,238,089)	$ 2,353,945

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 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.

Note 10. TEMPORARILY RESTRICTED NET ASSETS (Continued):

Temporarily restricted net assets consisted of the following for the year ended at July 31, 2014.

	Beginning Balance	Contributions and income	Released from Restriction	Ending Balance
Children's Program Fund	$ 30,000	$ 88,693	$ (112,693)	$ 6,000
Bridge Fund	25,000	42,175	(67,175)	-
Academic Enrichment	30,000	79,230	(73,230)	36,000
Residential Fund	-	196,500	(181,500)	15,000
Meal Program	22,500	42,600	(35,100)	30,000
Fundraising	-	8,200	-	8,200
Facility upgrade	-	185,000	(145,084)	39,916
Growth campaign	-	1,142,206	(200,000)	942,206
Operations	100,000	-	(100,000)	-
Endowment and general operations	320,389	149,805	(52,452)	417,742
Total temporarily restricted assets	$ 527,889	$ 1,934,409	$ (967,234)	$ 1,495,064

Note 11. ALLOCATION OF JOINT COSTS:

During the years ended July 31, 2015 and July 31, 2014, the Organization mailed newsletters that included fundraising and program components. The costs of conducting those activities included a total of $9,806 as of July 31, 2015 and $7,279 for the year ended July 31, 2014 of joint costs, which are not specifically attributable to particular components of the activities. The joint costs were allocated as follows:

	2015	2014
Fundraising	$ 2,059	$ 1,092
Program	7,747	6,187
	$ 9,806	$ 7,279

Note 12. SPECIAL EVENTS:

During the years ended July 31, 2015 and July 31, 2014, the Organization held a fundraising gala event and a second fundraising event. Total revenues and expenses related to the events are as follows:

	2015	2014
Total receipts	$ 653,097	$ 521,722
Total expenses	184,706	140,465
Special events, net	$ 468,391	$ 381,257

Note 13. 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, 2015.

Years Ending July 31,	Amount
2016	$ 48,362
2017	49,571
2018	4,139
Total	$ 102,072

Note 14. LEASE COMMITMENTS:

The Organization leases equipment that has initial or remaining non-cancelable operating lease terms in excess of one year of July 31, 2015. The Organization's future minimum lease payments are as follows:

Years Ending July 31,	Amount
2016	$ 14,899
2017	14,899
2018	11,393
	$ 41,191

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