



**RAPHAEL HOUSE OF SAN FRANCISCO, INC.**

**(A California Not-For-Profit Corporation)**

**FINANCIAL STATEMENTS**

**JULY 31, 2014 AND JULY 31, 2013**



**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 statement of financial position as of July 31, 2014 and July 31, 2013, 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, 2014 and July 31, 2013 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

December 12, 2014

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>July 31, 2014</u>	<u>July 31, 2013</u>
<b>CURRENT:</b>		
Cash and cash equivalents	\$ 321,831	\$ 473,538
Receivables - other	10,450	80,542
Grants and pledges receivable, net	848,684	330,685
Inventory	5,213	5,888
Prepaid expenses	54,343	50,458
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	1,240,521	941,111
<b>LONG TERM:</b>		
Investments:		
Unrestricted investments	2,421,824	1,910,423
Endowment investments	1,543,058	1,445,705
	<hr/>	<hr/>
Total investments	3,964,882	3,356,128
Grants and pledges receivable, long term	400,000	-
Property, equipment and improvements, net (encumbered)	2,837,699	2,795,485
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,443,102</u>	<u>\$ 7,092,724</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT:</b>		
Accounts payable and accrued expenses	\$ 35,683	\$ 45,317
Accrued compensation and vacation	56,505	67,069
Current portion of note payable	15,384	15,384
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	107,572	127,770
<b>LONG TERM:</b>		
Note payable, net of current portion	47,442	62,826
	<hr/>	<hr/>
TOTAL LIABILITIES	155,014	190,596
<b>NET ASSETS:</b>		
Unrestricted net assets:		
Undesignated	1,807,428	2,644,213
Board designated	3,858,630	2,449,277
	<hr/>	<hr/>
Total unrestricted net assets	5,666,058	5,093,490
Temporarily restricted net assets	1,495,064	527,889
Permanently restricted net assets	1,126,966	1,280,749
	<hr/>	<hr/>
TOTAL NET ASSETS	8,288,088	6,902,128
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,443,102</u>	<u>\$ 7,092,724</u>

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 REVENUES:				
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	513,522	8,200	-	521,722
Donations from churches and civic groups	28,577	-	-	28,577
In-kind services	260,374	-	-	260,374
	<u>2,252,700</u>	<u>1,784,604</u>	<u>-</u>	<u>4,037,304</u>
REVENUES:				
Investment income	205,795	149,805	-	355,600
Rental income	97,031	-	-	97,031
Fees for services	24,666	-	-	24,666
	<u>327,492</u>	<u>149,805</u>	<u>-</u>	<u>477,297</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>967,234</u>	<u>(967,234)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND TRANSFERS				
	<u>3,547,426</u>	<u>967,175</u>	<u>-</u>	<u>4,514,601</u>
EXPENSES:				
Program services:				
Residential Shelter Program	852,985	-	-	852,985
Academic Enrichment Program	444,667	-	-	444,667
Bridge Program	430,150	-	-	430,150
Meal Program	377,210	-	-	377,210
	<u>2,105,012</u>	<u>-</u>	<u>-</u>	<u>2,105,012</u>
Management and general	219,225	-	-	219,225
Fundraising	650,621	-	-	650,621
	<u>2,974,858</u>	<u>-</u>	<u>-</u>	<u>2,974,858</u>
TOTAL EXPENSES				
	<u>2,974,858</u>	<u>-</u>	<u>-</u>	<u>2,974,858</u>
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	<u>\$ 5,666,058</u>	<u>\$ 1,495,064</u>	<u>\$ 1,126,966</u>	<u>\$ 8,288,088</u>

See notes to financial statements.

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## STATEMENT OF ACTIVITIES

**YEAR ENDED JULY 31, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE:</b>				
<b>PUBLIC SUPPORT:</b>				
Donations from individuals	\$ 645,945	\$ 4,995	\$ 1,650	\$ 652,590
Foundation gifts and trusts	526,330	435,000	-	961,330
Donations from corporations and businesses	190,029	44,500	-	234,529
Special events income	418,928	-	-	418,928
Donations from churches and civic groups	20,080	153	-	20,233
In-kind services	158,281	-	-	158,281
	<u>1,959,593</u>	<u>484,648</u>	<u>1,650</u>	<u>2,445,891</u>
<b>REVENUES:</b>				
Investment income	282,819	193,012	-	475,831
Rental income	58,250	-	-	58,250
Fees for service	11,751	-	-	11,751
	<u>352,820</u>	<u>193,012</u>	<u>-</u>	<u>545,832</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	<u>461,487</u>	<u>(461,487)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT, REVENUES AND TRANSFERS</b>				
	<u>2,773,900</u>	<u>216,173</u>	<u>1,650</u>	<u>2,991,723</u>
<b>EXPENSES:</b>				
<b>Program services:</b>				
Residential Shelter Program	758,672	-	-	758,672
Academic Enrichment Program	221,034	-	-	221,034
Bridge Program	456,277	-	-	456,277
Meal Program	331,430	-	-	331,430
	<u>1,767,413</u>	<u>-</u>	<u>-</u>	<u>1,767,413</u>
Total program expenses	1,767,413	-	-	1,767,413
Management and general	229,558	-	-	229,558
Fundraising	515,184	-	-	515,184
	<u>2,512,155</u>	<u>-</u>	<u>-</u>	<u>2,512,155</u>
<b>TOTAL EXPENSES</b>				
	<u>2,512,155</u>	<u>-</u>	<u>-</u>	<u>2,512,155</u>
<b>CHANGE IN NET ASSETS</b>	261,745	216,173	1,650	479,568
<b>NET ASSET RECLASSIFICATION</b>	(19,000)	-	19,000	-
<b>NET ASSETS, beginning of year</b>	<u>4,850,745</u>	<u>311,716</u>	<u>1,260,099</u>	<u>6,422,560</u>
<b>NET ASSETS, end of year</b>	<u>\$ 5,093,490</u>	<u>\$ 527,889</u>	<u>\$ 1,280,749</u>	<u>\$ 6,902,128</u>

See notes to financial statements.

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED JULY 31, 2014**

	Programs and Services					Management and General	Fundraising	Total Expenses
	Residential Shelter Program	Academic Enrichment Program	Bridge Program	Meal Program	Total			
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	2,871	8,607	47,641
Independent contractors	24,558	84	74	7,409	32,125	20	1,846	33,991
<b>Total staff expense</b>	<b>559,299</b>	<b>271,178</b>	<b>219,445</b>	<b>215,860</b>	<b>1,265,782</b>	<b>126,881</b>	<b>289,032</b>	<b>1,681,695</b>
Development expense	564	-	23	-	587	2,874	174,052	177,513
General and administrative	22,331	6,812	14,834	3,795	47,772	63,613	38,283	149,668
Occupancy	59,251	20,235	16,717	17,120	113,323	9,644	3,343	126,310
Internships	33,895	20,487	12,721	21,667	88,770	267	2,538	91,575
Direct assistance to individuals	5,728	1,477	77,527	-	84,732	-	-	84,732
Children's activities and education	577	78,549	920	-	80,046	-	-	80,046
Marketing and branding	-	-	-	-	-	-	80,000	80,000
Food	565	1,612	52	73,012	75,241	1,021	623	76,885
Technology	23,401	9,905	8,738	7,096	49,140	2,780	15,538	67,458
Supplies	24,084	3,935	3,242	3,379	34,640	2,193	2,558	39,391
Legal	25,430	5,213	4,967	4,468	40,078	2,085	6,292	48,455
Printing, copying and publication	6,846	2,768	2,868	1,840	14,322	790	10,031	25,143
Staff education	4,559	1,927	1,688	898	9,072	2,923	1,867	13,862
Postage and shipping	649	2,381	373	182	3,585	955	8,988	13,528
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	960	-	-	290	1,250	-	-	1,250
<b>Total expenses before depreciation and amortization</b>	<b>773,729</b>	<b>431,136</b>	<b>366,359</b>	<b>354,013</b>	<b>1,925,237</b>	<b>217,292</b>	<b>635,722</b>	<b>2,778,251</b>
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
<b>TOTAL EXPENSES</b>	<b>\$ 852,985</b>	<b>\$ 444,667</b>	<b>\$ 430,150</b>	<b>\$ 377,210</b>	<b>\$ 2,105,012</b>	<b>\$ 219,225</b>	<b>\$ 650,621</b>	<b>\$ 2,974,858</b>

See notes to financial statements.



# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2013

	Programs and Services					Management and General	Fundraising	Total Expenses
	Residential Shelter Program	Academic Enrichment Program	Bridge Program	Meal Program	Total			
Salaries and wages	\$ 427,585	\$ 146,005	\$ 194,801	\$ 152,906	\$ 921,297	\$ 106,470	\$ 211,088	\$ 1,238,855
Payroll taxes	29,995	10,815	14,099	11,008	65,917	7,782	15,194	88,893
Employee benefits	38,177	17,654	13,584	15,044	84,459	9,772	21,351	115,582
Workers' compensation insurance	12,310	4,217	6,083	4,926	27,536	3,041	6,379	36,956
Independent contractors	7,613	-	-	14,967	22,580	-	-	22,580
<b>Total staff expense</b>	<b>515,680</b>	<b>178,691</b>	<b>228,567</b>	<b>198,851</b>	<b>1,121,789</b>	<b>127,065</b>	<b>254,012</b>	<b>1,502,866</b>
Development expense	438	112	180	168	898	140	140,773	141,811
Administrative expense	17,629	2,705	12,689	3,349	36,372	79,839	14,612	130,823
Occupancy	48,760	10,946	6,593	16,979	83,278	8,669	2,881	94,828
Children's activities and education	12,752	2,064	63,997	-	78,813	-	-	78,813
Internships	31,768	-	16,701	22,500	70,969	106	800	71,875
Marketing and branding	-	-	-	-	-	-	55,000	55,000
Technology	17,388	4,514	6,916	6,528	35,346	2,617	12,876	50,839
Food	201	205	201	49,272	49,879	161	694	50,734
Supplies	23,016	2,710	3,519	3,357	32,602	2,688	3,046	38,336
Direct assistance to individuals	8,693	-	27,598	-	36,291	-	-	36,291
Legal	11,115	2,850	4,560	4,275	22,800	1,710	3,990	28,500
Printing, copying and publication	3,684	914	1,540	1,023	7,161	1,398	5,418	13,977
Postage and shipping	1,547	409	2,170	671	4,797	730	7,237	12,764
Telephone	4,090	918	1,809	1,377	8,194	551	1,285	10,030
Transportation	398	934	2,580	1,054	4,966	859	254	6,079
Staff education	1,019	230	1,498	28	2,775	1,192	1,307	5,274
<b>Total expenses before depreciation and amortization</b>	<b>698,178</b>	<b>208,202</b>	<b>381,118</b>	<b>309,432</b>	<b>1,596,930</b>	<b>227,725</b>	<b>504,185</b>	<b>2,328,840</b>
Depreciation and amortization	60,494	12,832	75,159	21,998	170,483	1,833	10,999	183,315
<b>TOTAL EXPENSES</b>	<b>\$ 758,672</b>	<b>\$ 221,034</b>	<b>\$ 456,277</b>	<b>\$ 331,430</b>	<b>\$ 1,767,413</b>	<b>\$ 229,558</b>	<b>\$ 515,184</b>	<b>\$ 2,512,155</b>

See notes to financial statements.

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## STATEMENTS OF CASH FLOWS

	<u>Year Ended July 31, 2014</u>	<u>Year Ended July 31, 2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,385,960	\$ 479,568
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	193,306	183,315
Stock contributions	(43,658)	-
Permanently restricted contributions	-	(1,650)
Loss on uncollectible promises to give	153,783	-
Bad debt	3,301	-
Unrealized and realized gain on investments	(279,491)	(426,135)
Changes in assets and liabilities:		
Receivables - other	70,092	(80,324)
Grants and pledges receivable	(1,075,083)	163,219
Inventory	675	(455)
Prepaid expenses	(3,884)	13,566
Accounts payable and accrued expenses	(9,634)	15,950
Accrued compensation and vacation	(10,564)	(2,586)
Deferred rental income	-	(3,750)
 Total adjustments	 <u>(1,001,157)</u>	 <u>(138,850)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>384,803</u>	 <u>340,718</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(1,640,575)	(2,242,860)
Proceeds from the sale of investments	1,354,970	1,877,748
Purchases of property, equipment and improvements	(235,521)	(125,706)
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(521,126)</u>	 <u>(490,818)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable	(15,384)	(15,384)
Permanently restricted endowment contributions	-	1,650
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(15,384)</u>	 <u>(13,734)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (151,707)	 (163,834)
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>473,538</u>	 <u>637,372</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u>\$ 321,831</u>	 <u>\$ 473,538</u>

See notes to financial statements.

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

### **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 Organization accounts for its programs by using separate operating funds:

- Academic Enrichment Program Fund - Provides educational support to current and former residential children and parents.
- Bridge Program Fund (Previously named 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.
- Meal Program Fund – Provides meals to all residents and children in our Residential Program, Academic Enrichment Program and special events for Bridge Program clients.
- Operations Fund – Used to maintain and upgrade the residential facility including the adjoining AfterCare building at 1045-1049 Sutter, San Francisco.
- 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.

#### 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.

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

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

#### 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. The Organization has determined an allowance for doubtful accounts of \$16,500, for the years ended July 31, 2014 and July 31, 2013, 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 on collection. During the year ended July 31, 2014 the organization wrote off receivables totaling 157,084.

#### 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. 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.

#### 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, 2014, 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 2009 are no longer subject to examination by tax authorities. The Organization is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status.

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

### **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:

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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:

- 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.

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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.

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

### **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 these criteria for the years ended July 31, 2014 and July 31, 2013. 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 December 12, 2014, 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.

## RAPHAEL HOUSE OF SAN FRANCISCO, INC.

### NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

**Note 3. CONCENTRATIONS OF CREDIT RISK (Continued):**

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, 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

The following table sets forth by level, the fair value hierarchy, of the Organization's investments at fair value as of July 31, 2013:

#### Investments at Fair Value as of July 31, 2013

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Pooled funds	\$ 260,886	\$ 1,445,705	\$ -	\$ 1,706,591
Equity funds	1,548,404	-	-	1,548,404
Bond funds	-	101,133	-	101,133
 Total investments at fair value	 \$ 1,809,290	 \$ 1,546,838	 \$ -	 \$ 3,356,128

Equity funds and Bond funds for the years ended July 31, 2014 and July 31, 2013 were held in various mutual funds.

## RAPHAEL HOUSE OF SAN FRANCISCO, INC.

### NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

**Note 4. INVESTMENTS (Continued):**

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

	2014	2013
Interest and dividend income	\$ 76,109	\$ 49,696
Realized gains (losses) on sales of investments	-	29,805
Unrealized gains and losses	<u>279,491</u>	<u>396,330</u>
Total investment income	<u>\$ 355,600</u>	<u>\$ 475,831</u>

Investment fees for the years ended July 31, 2014 and July 31, 2013 amounted to \$36,422 and \$36,561, respectively.

**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, 2014, is as follows:

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

The composition of the endowment fund at July 31, 2013 is as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Agency Endowment Fund	\$ -	\$ 18,276	\$ 99,270	\$ 117,546
One Organization Fund	<u>-</u>	<u>302,113</u>	<u>1,026,046</u>	<u>1,328,159</u>
Total endowment investments	-	320,389	1,125,316	1,445,705
Endowment pledges	<u>-</u>	<u>-</u>	<u>155,433</u>	<u>155,433</u>
Total endowment net assets	<u>\$ -</u>	<u>\$ 320,389</u>	<u>\$ 1,280,749</u>	<u>\$ 1,601,138</u>



## RAPHAEL HOUSE OF SAN FRANCISCO, INC.

### NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

**Note 5. ENDOWMENTS (Continued):**

Net changes in endowment investment funds were as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning investment balance at July 31, 2012	<u>\$ 19,000</u>	<u>\$ 215,501</u>	<u>\$ 1,106,316</u>	<u>\$ 1,340,817</u>
Investment return:				
Interest and dividends	-	9,722	-	9,722
Unrealized gain	-	201,638	-	201,638
Investment expense	-	<u>(18,348)</u>	-	<u>(18,348)</u>
Total investment return	-	<u>193,012</u>	-	<u>193,012</u>
New investments	-	-	-	-
Net asset reclassification	<u>(19,000)</u>	-	<u>19,000</u>	-
Appropriations of endowment earnings for expenditure	-	<u>(88,124)</u>	-	<u>(88,124)</u>
Ending investment balance at July 31, 2013	-	<u>320,389</u>	<u>1,125,316</u>	<u>1,445,705</u>
Investment return:				
Interest and dividends	-	10,315	-	10,315
Unrealized gain	-	150,514	-	150,514
Investment expense	-	<u>(11,024)</u>	-	<u>(11,024)</u>
Total investment return	-	<u>149,805</u>	-	<u>149,805</u>
New investments	-	-	-	-
Appropriations of endowment earnings for expenditure	-	<u>(52,452)</u>	-	<u>(52,452)</u>
Ending investment balance at July 31, 2014	<u>\$ -</u>	<u>\$ 417,742</u>	<u>\$ 1,125,316</u>	<u>\$ 1,543,058</u>

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

	2014	2013
Endowment pledges receivable	\$ 155,433	\$ 153,783
New pledges	-	1,650
Change in value of pledges receivable	(153,783)	-
Pledge payments	-	-
Endowment pledges receivable	<u>\$ 1,650</u>	<u>\$ 155,433</u>

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

### **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, 2014 and July 31, 2013.

#### Net asset reclassification:

During the fiscal year ended July 31, 2013 additional information became available indicating that an amount that had been recorded as a board designated endowment was the result of a permanent restriction placed by a donor. This amount has been reclassified from unrestricted net assets to permanently restricted net assets.

### **Note 6. RECEIVABLES - OTHER:**

During the year ended July 31, 2013, the Organization was notified that it was receiving a \$70,000 refund from its unemployment insurance provider. This balance had been accumulated over time and was received subsequent to July 31, 2013.

## RAPHAEL HOUSE OF SAN FRANCISCO, INC.

### NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

**Note 7. GRANTS AND PLEDGES RECEIVABLE:**

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

	2014	2013
Foundation grants receivable	\$ 122,000	\$ 27,500
Individual contributions receivable	809,404	72,751
Bequests receivable	317,280	75,000
Endowment pledges	16,500	171,934
 Totals	 1,265,184	 347,185
Allowance for doubtful accounts	(16,500)	(16,500)
 Balances	 \$ 1,248,684	 \$ 330,685
 Classified as:		
Current	\$ 848,684	\$ 330,685
Long-term	400,000	-
	 \$ 1,248,684	 \$ 330,685

**Note 8. PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following at July 31:

	2014	2013
Land	\$ 800,000	\$ 800,000
Building and improvements	3,658,168	3,475,245
Computers and equipment	152,857	145,919
Furniture and fixtures	151,505	120,761
Construction in progress	14,915	-
 Totals	 4,777,445	 4,541,925
Less accumulated depreciation	1,939,746	1,746,440
 Property and equipment, net	 \$ 2,837,699	 \$ 2,795,485

Depreciation expense was \$193,306 and \$183,315 for the years ended July 31, 2014 and July 31, 2013, respectively. The building is secured by a deed of trust (see Note 17).

**Note 9. 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, 2015. 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 1.75% or the Floor Rate of 5.0%. As of July 31, 2014 and July 31, 2013, no amounts had been drawn down.

## RAPHAEL HOUSE OF SAN FRANCISCO, INC.

### NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

**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, 2014 and July 31, 2013, was \$62,826 and \$78,210, respectively. Principal maturities of the note payable are as follows:

Years Ending July 31,	Amount
2015	\$ 15,384
2016	15,384
2017	15,384
2018	15,384
2019	<u>1,290</u>
Total	<u>\$ 62,826</u>

Total interest paid during the years ended July 31, 2014 and July 31, 2013 was \$0.

**Note 11. TEMPORARILY RESTRICTED NET ASSETS:**

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
Meal Program	-	2,600	(2,600)	-
Residential Fund	-	196,500	(181,500)	15,000
Residential Fund - Interns	22,500	40,000	(32,500)	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	<u>320,389</u>	<u>149,805</u>	<u>(52,452)</u>	<u>417,742</u>
Total temporarily restricted assets	<u>\$ 527,889</u>	<u>\$ 1,934,409</u>	<u>\$ (967,234)</u>	<u>\$ 1,495,064</u>

## RAPHAEL HOUSE OF SAN FRANCISCO, INC.

### NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

**Note 11. TEMPORARILY RESTRICTED NET ASSETS (Continued):**

Growth Campaign:

In response to the growing population of homeless families in San Francisco, Raphael House is implementing a three-year strategic plan to grow its impact to reach an additional 200 families—67% more than we currently serve—over the next three years. That means 500 families, or nearly 2,000 individuals, will directly benefit from our programs on an annual basis.

The Foundations for Families Campaign will provide the funding to enable Raphael House to grow its impact. By raising an additional \$3 million over and above its usual annual fundraising goal in the next three years. This timeline gives Raphael House the leverage to grow services in a sustainable way.

With funding from the Foundations for Families Campaign, Raphael House will renovate the third floor of its shelter starting in the fall of 2014 with a goal of completion by spring 2015. This renovation will add eight additional family suites, bringing the total available shelter rooms to 31. This additional space will enable Raphael House to serve at least 80 families annually in the Residential Shelter Program, an increase of 33% more than current capacity.

Funding from the Foundations for Families Campaign will also allow Raphael House expand and sustain the components of its supportive services by: Increasing our case management services, building our housing assistance fund and rental subsidy program, expanding activity levels of vocational, educational, and employer partnerships within the community, enhancing program curriculum in order to leverage the support of more community volunteers and growing capacity for family mental health services with additional interns.

Temporarily restricted net assets consisted of the following for the year ended at July 31, 2013.

	<u>Beginning Balance</u>	<u>Contributions and income</u>	<u>Released from Restriction</u>	<u>Ending Balance</u>
Children's Program Fund	\$ 14,612	\$ 120,603	\$ (105,215)	\$ 30,000
Bridge Fund	31,920	26,345	( 33,265)	25,000
Academic Enrichment	-	103,300	( 73,300)	30,000
Meal Program	-	4,400	( 4,400)	-
Residential Fund - interns	37,500	57,500	( 72,500)	22,500
Fundraising	5,000	-	( 5,000)	-
Facility upgrade	-	72,500	(72,500)	-
Operations	-	100,000	-	100,000
Endowment and general operations	<u>222,684</u>	<u>193,012</u>	<u>( 95,307)</u>	<u>320,389</u>
 Total temporarily restricted assets	 <u>\$ 311,716</u>	 <u>\$ 677,660</u>	 <u>\$ (461,487)</u>	 <u>\$ 527,889</u>

## RAPHAEL HOUSE OF SAN FRANCISCO, INC.

### NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

**Note 12. ALLOCATION OF JOINT COSTS:**

During the years ended July 31, 2014 and July 31, 2013, the Organization mailed newsletters that included fundraising and program components. The costs of conducting those activities included a total of \$7,279 as of July 31, 2014 and \$12,191 as of July 31, 2013 of joint costs, which are not specifically attributable to particular components of the activities. The joint costs were allocated as follows:

	2014	2013
Fundraising	\$ 1,092	\$ 1,829
Program	6,187	10,362
	\$ 7,279	\$ 12,191

**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 the plan participants.

Employee contributions to the plan for the years ended July 31, 2014 and July 31, 2013 were \$21,262 and \$22,299, respectively.

**Note 14. SPECIAL EVENTS:**

During the years ended July 31, 2014 and July 31, 2013, the Organization held a fundraising gala event and a second fundraising event. Total revenues and expenses related to the events are as follows:

	2014	2013
Total receipts	\$ 521,722	\$ 418,928
Total expenses	174,852	119,871
Special events, net	\$ 346,870	\$ 299,057

Expenses are included in fundraising expenses.

**Note 15. 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, 2014.

Years Ending July 31,	Amount
2015	\$ 55,778
2016	48,460
2017	49,672
Total	\$ 153,910

# RAPHAEL HOUSE OF SAN FRANCISCO, INC.

## NOTES TO FINANCIAL STATEMENTS - JULY 31, 2014 AND JULY 31, 2013

### **Note 16. LEASE COMMITMENTS:**

The organization leases equipment that has initial or remaining non-cancelable lease terms in excess of one year of July 31, 2014. The Organization's future minimum lease payments are as follows:

Years Ending July 31,	Amount
2015	\$ 6,605
2016	6,605
2017	6,605
2018	<u>4,331</u>
	<u>\$ 24,146</u>

### **Note 17. 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.