RAPHAEL HOUSE
Moving Families from Crisis to Community

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JULY 31, 2012 AND JULY 31, 2011

RINA
accountancy corporation

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

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RINA

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, 2012 and 2011 and the related statements of activities, functional expenses and cash flows for the years 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, 2012 and 2011, and 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
February 8, 2013

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FINANCIAL POSITION

ASSETS	July 31, 2012	July 31, 2011
CURRENT:		
Cash and cash equivalents	$ 632,511	$ 807,429
Accounts receivable	219	19,360
Grants and pledges receivable, net	493,904	302,542
Inventory	5,433	6,349
Prepaid expenses	64,025	47,144
TOTAL CURRENT ASSETS	1,196,091	1,182,824
LONG TERM:		
Unrestricted investments	1,228,924	850,715
Endowment investments	1,340,817	1,329,540
Property, equipment and improvements, net (encumbered)	2,853,094	2,764,570
Construction in progress	-	133,881
TOTAL ASSETS	$ 6,618,926	$ 6,261,530
LIABILITIES AND NET ASSETS		
CURRENT:		
Accounts payable and accrued expenses	$ 29,367	$ 119,102
Accrued compensation and vacation	69,655	80,148
Current portion of note payable	15,384	14,102
Deferred rental income	3,750	-
TOTAL CURRENT LIABILITIES	118,156	213,352
LONG TERM:		
Note payable, net of current portion	78,210	93,594
TOTAL LIABILITIES	196,366	306,946
NET ASSETS:		
Unrestricted net assets:		
Undesignated	3,720,906	3,025,778
Board designated	1,129,839	1,129,839
Total unrestricted net assets	4,850,745	4,155,617
Temporarily restricted net assets	311,716	513,217
Permanently restricted net assets	1,260,099	1,285,750
TOTAL NET ASSETS	6,422,560	5,954,584
TOTAL LIABILITIES AND NET ASSETS	$ 6,618,926	$ 6,261,530

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
PUBLIC SUPPORT:				
Donations from individuals	$ 602,714	$ 9,250	$ 1,650	$ 613,614
Foundation gifts and trusts	1,322,973	236,000	-	1,558,973
Donations from corporations and businesses	30,249	102,513	-	132,762
Special events income	392,265	-	-	392,265
Donations from churches and civic groups	3,268	52,000	-	55,268
Change in value of pledges receivable	-	-	(27,301)	(27,301)
In-kind services	130,694	-	-	130,694
Total public support	2,482,163	399,763	(25,651)	2,856,275
REVENUES:				
Investment income	27,890	7,127	-	35,017
Fees for services	6,895	-	-	6,895
Total revenues	34,785	7,127	-	41,912
NET ASSETS RELEASED FROM RESTRICTIONS	608,391	(608,391)	-	-
TOTAL SUPPORT, REVENUES AND TRANSFERS	3,125,339	(201,501)	(25,651)	2,898,187
EXPENSES:				
Program services:				
Residential Shelter Program	700,896	-	-	700,896
AfterCare Program	189,571	-	-	189,571
Academic Enrichment Program	509,110	-	-	509,110
Meal Program	349,324	-	-	349,324
Total program services	1,748,901	-	-	1,748,901
Management and general	227,049	-	-	227,049
Fundraising	454,261	-	-	454,261
TOTAL EXPENSES	2,430,211	-	-	2,430,211
CHANGE IN NET ASSETS	695,128	(201,501)	(25,651)	467,976
NET ASSETS, beginning of year	4,155,617	513,217	1,285,750	5,954,584
NET ASSETS, end of year	$ 4,850,745	$ 311,716	$ 1,260,099	$ 6,422,560

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 REVENUE:				
PUBLIC SUPPORT:				
Donations from individuals	$ 639,376	$ 12,780	$ 11,150	$ 663,306
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
Total public support	1,571,768	432,925	11,150	2,015,843
REVENUES:				
Investment income	97,391	215,274	-	312,665
Fees for service	10,227	-	-	10,227
Total revenue	107,618	215,274	-	322,892
NET ASSETS RELEASED FROM RESTRICTIONS	380,625	(380,625)	-	-
TOTAL SUPPORT, REVENUES AND TRANSFERS	2,060,011	267,574	11,150	2,338,735
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
Total program expenses	1,844,091	-	-	1,844,091
Management and General	140,747			140,747
Fundraising	473,901	-		473,901
TOTAL EXPENSES	2,458,739	-	-	2,458,739
CHANGE IN NET ASSETS	(398,728)	267,574	11,150	(120,004)
NET ASSETS, beginning of year	4,554,345	245,643	1,274,600	6,074,588
NET ASSETS, end of year	$ 4,155,617	$ 513,217	$ 1,285,750	$ 5,954,584

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2012

	Residential Shelter Program	AfterCare Program	Academic Enrichment Program	Meal Program	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 437,309	$ 120,065	$ 201,203	$ 167,045	$ 925,622	$ 62,107	$ 200,087	$ 1,187,816
Payroll taxes	31,674	8,576	14,577	12,009	66,836	7,844	14,595	89,275
Employee benefits	62,600	17,248	36,499	24,295	140,641	18,760	31,606	191,007
Workers' compensation insurance	11,744	3,202	6,762	4,627	26,335	3,203	6,050	35,588
Other	6,898	-	5,812	-	12,710	75	-	12,785
Internship costs	4,559	-	6,898	-	11,458	13,213	-	24,670
Total staff expense	554,784	149,090	271,752	207,976	1,183,602	105,202	252,337	1,541,141
Development expense	-	-	-	-	-	-	126,376	126,376
Occupancy	46,410	6,193	16,310	12,731	81,644	11,178	9,631	102,454
General and administrative	11,743	2,157	6,264	4,441	24,605	62,282	21,543	108,429
Children's activities and education	1,264	12,978	61,381	-	75,623	-	-	75,623
Food	698	267	140	65,722	66,828	502	126	67,456
Direct assistance to individuals	553	-	62,407	-	62,960	-	-	62,960
Internships	852	2,010	2,591	30,000	35,453	30	1,934	37,416
Supplies	15,773	2,644	2,623	3,116	24,155	3,421	2,826	30,402
Legal	-	-	-	-	-	28,740	-	28,740
Printing, copying and publication	1,011	160	1,181	282	2,633	826	15,559	19,018
Technology	1,942	399	8,005	703	11,049	5,373	2,189	18,612
Telephone	5,677	1,074	2,491	1,899	11,141	1,792	1,669	14,602
Postage and shipping	228	48	109	83	468	2,230	8,498	11,196
Transportation	287	332	2,124	963	3,706	944	123	4,772
Furniture and equipment	1,375	18	41	489	1,923	1,831	28	3,782
Staff education	839	27	306	47	1,218	920	986	3,124
Adult activities and education	62	-	76	-	138	10	-	147
Total expenses before depreciation and amortization	643,499	177,396	437,799	328,452	1,587,146	225,281	443,825	2,256,252
Depreciation and amortization	57,397	12,175	71,311	20,872	161,755	1,768	10,436	173,959
TOTAL EXPENSES	$ 700,896	$ 189,571	$ 509,110	$ 349,324	$ 1,748,901	$ 227,049	$ 454,261	$ 2,430,211

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
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
Occupancy	84,134	8,230	-	92,364	1,083	1,754	95,201
Development expense	-	-	5,995	5,995	-	122,552	128,547
Food	71,368	4,319	-	75,687	5	123	75,815
Printing, copying and publication	1,138	1,488	4,416	7,042	2,350	22,242	31,634
Furniture and equipment	13,841	1,080	183	15,104	670	11,151	26,925
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
Supplies	25,853	3,465	22	29,340	3,724	788	33,852
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
Postage and shipping	213	1,309	1,065	2,587	899	8,277	11,763
Telephone	14,502	313	-	14,815	440	-	15,255
Transportation and vehicle insurance	20,246	3,718	-	23,964	2,634	2,326	28,924
Staff education	3,596	870	-	4,466	250	167	4,883
Adult activities and education	1,846	2,145	-	3,991	-	-	3,991
Volunteer coordination	150	90	-	240	-	4,037	4,277
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, 2012	Year Ended July 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 467,976	$ (120,004)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	173,959	167,989
Stock contributions	-	(3,452)
Permanently restricted contributions	(1,650)	(11,150)
Change in allowance for doubtful accounts	16,500	-
Loss on disposal of assets	8,898	23,464
Unrealized and realized gain on investments	(2,095)	(298,150)
Changes in assets and liabilities:		
Restricted cash	(2,522)	503
Accounts receivable	2,642	(19,298)
Grants and pledges receivable	(191,360)	(118,957)
Inventory	916	(6,349)
Prepaid expenses	(16,881)	(40,674)
Accounts payable and accrued expenses	(89,735)	101,451
Accrued compensation and vacation	(10,493)	8,511
Deferred revenue	3,750	-
Total adjustments	(108,071)	(196,112)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	359,905	(316,116)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,501,938)	(908,710)
Proceeds from the sale of investments	1,117,069	762,619
Purchases of property, equipment and improvements	(137,502)	(169,749)
NET CASH USED BY INVESTING ACTIVITIES	(522,371)	(315,840)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(14,102)	(16,666)
Permanently restricted endowment contributions	1,650	142,633
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(12,452)	125,967
NET DECREASE IN CASH AND CASH EQUIVALENTS	(174,918)	(505,989)
CASH AND CASH EQUIVALENTS, beginning of year	807,429	1,313,418
CASH AND CASH EQUIVALENTS, end of year	$ 632,511	$ 807,429

See notes to financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2012 AND 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 accounts for its programs by using separate operating funds:

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

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 is necessary based on management's evaluation and adjustment of a current aging of the accounts.

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, 2012, 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 2007 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.

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.

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, 2012 and 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 February 8, 2013, 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. The Organization has not experienced any losses in such accounts.

Note 3. CONCENTRATIONS OF CREDIT RISK (Continued):

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. FAIR VALUE MEASUREMENTS:

The following table sets forth by level, the fair value hierarchy, the Organization's investments at fair value as of July 31, 2012:

Investments at Fair Value as of July 31, 2012

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Pooled funds	$ 95,929	$ 1,340,817	$ -	$ 1,436,746
Equity funds	670,688	-	-	670,688
Bond funds	-	457,447	-	457,447
	$ 766,617	$ 1,798,264	$ -	2,564,881
Money market funds				4,860
Total investments at fair value				$ 2,569,741

The following table 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

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

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2012 AND JULY 31, 2011

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, 2012 is as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Agency Endowment Fund	$ 19,000	$ 12,246	$ 80,270	$ 111,516
One Organization Fund	-	203,255	1,026,046	1,229,301
Total endowment investments	19,000	215,501	1,106,316	1,340,817
Endowment pledges	-	-	153,783	153,783
Total endowment net assets	$ 19,000	$ 215,501	$ 1,260,099	$ 1,494,600

The composition of the endowment fund at July 31, 2011 is as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
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	$ 19,000	$ 208,374	$ 1,285,750	$ 1,513,124

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2012 AND JULY 31, 2011

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, 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	19,000	208,374	1,102,166	1,329,540
Investment return:				
Interest and dividends	-	10,570	-	10,570
Unrealized gain	-	15,174	-	15,174
Investment expense	-	(18,617)	-	(18,617)
Total investment return		7,127	-	7,127
New investments	-	-	4,150	4,150
Appropriations of endowment earnings for expenditure	-	- -	-	-
Ending investment balance at July 31, 2012	$ 19,000	$ 215,501	$ 1,106,316	$ 1,340,817

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

	2012	2011
Endowment pledges receivable	$ 183,584	$ 315,068
New pledges	1,650	11,150
Bad debt	(27,301)	-
Pledge payments	(4,150)	(142,634)
Endowment pledges receivable	$ 153,783	$ 183,584

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, 2012 and 2011.

Note 6. GRANTS AND PLEDGES RECEIVABLE:

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

	2012	2011
Foundation grants receivable	$ 47,500	$ 77,150
Individual contributions receivable	58,277	41,808
Bequests receivable	234,343	-
Endowment pledges	170,284	183,584
Totals	510,404	302,542
Allowance for doubtful accounts	(16,500)	-
Balances	$ 493,904	$ 302,542

All balances are expected to be collected before year end.

Note 7. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at July 31:

	2012	2011
Land	$ 800,000	$ 800,000
Building and improvements	3,435,691	3,262,229
Computers and equipment	86,795	-
Vehicles	-	58,684
Furniture and fixtures	92,398	81,273
Totals	4,414,884	4,202,186
Less accumulated depreciation	1,561,790	1,437,616
Property and equipment, net	$ 2,853,094	$ 2,764,570

Depreciation expense was $173,959 and $167,989 for the years ended July 31, 2012 and July 31, 2011, respectively.

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 May 10, 2013. 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, 2012 and 2011, no amounts had been drawn down.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS - JULY 31, 2012 AND JULY 31, 2011

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, 2012 and 2011 was $93,594 and $107,696, respectively. Principal maturities of the note payable are as follows:

Year ended July 31,	Amount
2013	$ 15,384
2014	15,384
2015	15,384
2016	15,384
2017	15,384
Thereafter	16,674
	$ 93,594

Total interest paid during the years ended July 31, 2012 and July 31, 2011 was $0.

Note 10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes at July 31, 2012 and July 31, 2011:

	July 31, 2012	July 31, 2011
Children’s Program Fund	$ 14,612	$ 20,712
After Care Fund	39,103	102,063
Facility upgrade	-	180,000
Residential Fund	37,500	2,068
Endowment – general operations	215,501	208,374
Total temporarily restricted assets	$ 311,716	$ 513,217

Note 10. TEMPORARILY RESTRICTED NET ASSETS (Continued):

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows at July 31, 2012 and July 31, 2011:

	July 31, 2012	July 31, 2011
Family Assistance Fund	$ -	$ 1,367
Children's Program Fund	76,351	265,023
Chaplaincy Fund	-	1,164
Academic Enrichment	88,661	-
Meal Program	24,303	-
AfterCare Fund	62,960	5,299
Residential Fund	176,166	94,890
Facility upgrade	180,000	-
Volunteer Fund	-	5,953
General operations - endowment	-	6,900
Totals	$ 608,391	$ 380,625

Note 11. ALLOCATION OF JOINT COSTS:

During the years ended July 31, 2012 and July 31, 2011, the Organization mailed newsletters that included fundraising and program components. The costs of conducting those activities included a total of $8,113 as of July 31, 2012 and $9,745 as of July 31, 2011 of joint costs, which are not specifically attributable to particular components of the activities. The joint cost was allocated as follows:

	2012	2011
Fundraising	$ 1,217	$ 1,462
Program	6,896	8,283
	$ 8,113	$ 9,745

Note 12. 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 years ended July 31, 2012 and July 31, 2011 were $4,324 and $7,285, respectively.

Note 13. SPECIAL EVENTS:

During the years ended July 31, 2012 and 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:

	2012	2011
Total receipts	$ 392,265	$ 317,077
Total expenses	112,530	123,809
Special events, net	$ 279,735	$ 193,268

Expenses are included in fundraising expenses.

Note 14. 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.