RAPHAEL HOUSE OF SAN FRANCISCO, INC.

FINANCIAL STATEMENTS

July 31, 2022 and 2021

Raphael House
Inspiring Families.
Illuminating Hope.

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RAPHAEL HOUSE OF SAN FRANCISCO, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Raphael House of San Francisco, Inc.

Opinion

We have audited the accompanying financial statements of Raphael House of San Francisco, Inc. (a California nonprofit public benefit corporation), which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Raphael House of San Francisco, Inc. as of July 31, 2022 and 2021, 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Raphael House of San Francisco, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Raphael House of San Francisco, Inc. to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Raphael House of San Francisco, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Raphael House of San Francisco, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BPM LLP

San Francisco, California
January 25, 2023

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF FINANCIAL POSITION

As of July 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 426,923	$ 531,158
Receivables - other	-	45
Grants and pledges receivable, net	20,403	30,250
Inventory	12,805	17,352
Prepaid expenses	67,218	106,142
Total current assets	527,349	684,947
Long-term assets:		
Investments:		
Unrestricted investments	1,748,209	1,906,460
Beneficial interest in endowment investments	904,331	990,741
Property, equipment, and improvements, net (encumbered)	1,837,039	2,046,007
Total assets	$ 5,016,928	$ 5,628,155
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 172,125	$ 135,947
Accrued compensation and vacation	176,446	170,850
Deferred revenue	-	23,000
Line of credit	150,000	-
Total current liabilities	498,571	329,797
Long-term liabilities:		
Note payable, Economic Injury Disaster Loan (“EIDL”)	500,000	150,000
Security deposits	7,500	7,500
Total liabilities	1,006,071	487,297
Commitments and contingencies (Note 16)		
Net assets:		
Without donor restrictions:		
Undesignated	1,322,135	2,208,938
Board designated	1,822,479	2,033,920
Total without donor restrictions	3,144,614	4,242,858
With donor restrictions	866,243	898,000
Total net assets	4,010,857	5,140,858
Total liabilities and net assets	$ 5,016,928	$ 5,628,155

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF ACTIVITIES

For the year ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Public support:			
Donations from individuals	$ 1,154,069	$ 400	$ 1,154,469
Foundation gifts and trusts	525,997	98,141	624,138
Donations from corporations and businesses	153,421	116,100	269,521
Special events income (net of direct expenses of $224,934)	219,371	-	219,371
Donations from churches and civic groups	45,683	11,850	57,533
Bequests	99,433	-	99,433
Contributed goods and services	25,915	-	25,915
Total public support	2,223,889	226,491	2,450,380
Other revenues (losses):			
Investment loss (net of direct expenses of $28,537)	(130,234)	-	(130,234)
Change in beneficial interest in endowment investments	(54,063)	(12,088)	(66,151)
Rental income	40,095	-	40,095
Fees for services	5,300	-	5,300
Miscellaneous	14,665	-	14,665
Total other losses	(124,237)	(12,088)	(136,325)
Net assets released from restrictions	246,160	(246,160)	-
Total support, revenues, and transfers	2,345,812	(31,757)	2,314,055
Expenses:			
Program services:			
Residential Shelter Program	1,308,521	-	1,308,521
Children's Programs	360,913	-	360,913
Bridge Program	307,073	-	307,073
Family Wellness Services Program	171,397	-	171,397
Meal Program	267,030	-	267,030
Total program services	2,414,934	-	2,414,934
Management and general	625,080	-	625,080
Fundraising	647,646	-	647,646
Total expenses	3,687,660	-	3,687,660
Change in net assets from operations	(1,341,848)	(31,757)	(1,373,605)
Employee Retention Tax Credits	243,604	-	243,604
Change in net assets	(1,098,244)	(31,757)	(1,130,001)
Net assets, beginning of year	4,242,858	898,000	5,140,858
Net assets, end of year	$ 3,144,614	$ 866,243	$ 4,010,857

Raphael House of San Francisco, Inc.

Statement of Activities

For the year ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Public support:			
Donations from individuals	$ 1,024,026	$ 275	$ 1,024,301
Foundation gifts and trusts	338,151	91,200	429,351
Donations from corporations and businesses	136,863	14,000	150,863
Special events income (net of direct expenses of $57,258)	360,794	-	360,794
Donations from churches and civic groups	37,697	34,000	71,697
Bequests	428,272	-	428,272
Contributed goods and services	7,705	-	7,705
Total public support	2,333,508	139,475	2,472,983
Other revenues:			
Investment income (net of direct expenses of $26,095)	374,526	-	374,526
Change in beneficial interest in endowment investments	237,964	43,951	281,915
Rental income	41,209	-	41,209
Fees for services	32,305	-	32,305
Small Business Administration targeted advance	10,000	-	10,000
Miscellaneous	1,250	-	1,250
Total other revenues	697,254	43,951	741,205
Net assets released from restrictions	303,834	(303,834)	-
Total support, revenues, and transfers	3,334,596	(120,408)	3,214,188
Expenses:			
Program services:			
Residential Shelter Program	1,234,336	-	1,234,336
Children's Programs	328,997	-	328,997
Bridge Program	364,112	-	364,112
Family Wellness Services Program	161,243	-	161,243
Meal Program	292,715	-	292,715
Total program services	2,381,403	-	2,381,403
Management and general	540,937	-	540,937
Fundraising	592,789	-	592,789
Total expenses	3,515,129	-	3,515,129
Change in net assets from operations	(180,533)	(120,408)	(300,941)
Gain on Paycheck Protection Program loan discharge and forgiveness	841,800	-	841,800
Change in net assets	661,267	(120,408)	540,859
Net assets, beginning of year	3,581,591	1,018,408	4,599,999
Net assets, end of year	$ 4,242,858	$ 898,000	$ 5,140,858

Raphael House of San Francisco, Inc.

Statement of Functional Expenses

For the year ended July 31, 2022

	Programs and Services						Supporting Services		
	Residential Shelter Program	Children's Program	Bridge Program	Family Wellness Services Program	Meal Program	Total	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 1,027,015	$ 204,978	$ 202,981	$ 132,780	$ 146,283	$ 1,714,037	$ 431,992	$ 524,374	$ 2,670,403
Office expenses	23,747	3,871	5,480	1,930	4,342	39,370	120,123	18,418	177,911
Occupancy	74,265	14,015	10,041	4,143	12,724	115,188	14,808	11,718	141,714
Technology	39,601	10,956	16,027	7,103	8,197	81,884	19,045	31,528	132,457
Development expense	-	-	-	-	-	-	-	256,442	256,442
Food and other kitchen expense	161	-	-	-	78,687	78,848	-	-	78,848
Internships	697	20,725	1,395	11,614	-	34,431	-	5,775	40,206
Children's activities and education	-	40,744	-	307	-	41,051	-	-	41,051
Telephone	11,064	2,893	4,154	1,383	3,152	22,646	5,986	4,986	33,618
Supplies	9,287	-	1,809	-	74	11,170	915	298	12,383
Direct assistance to individuals	2,506	31,374	46,465	3,685	-	84,030	-	-	84,030
Staff training and subscriptions	1,761	2,349	3,170	1,155	135	8,570	1,751	5,615	15,936
Transportation	-	-	-	-	-	-	1,715	144	1,859
Postage and shipping	99	-	768	-	-	867	234	799	1,900
Furniture and equipment	273	-	-	-	-	273	2,755	-	3,028
Printing, copying, and publication	-	-	-	-	-	-	20	915	935
Total expenses before depreciation and special events	1,190,476	331,905	292,290	164,100	253,594	2,232,365	599,344	861,012	3,692,721
Depreciation	118,045	29,008	14,783	7,297	13,436	182,569	25,736	11,568	219,873
Less: special events, presented net on the statements of activities	-	-	-	-	-	-	-	(224,934)	(224,934)
Total expenses	$ 1,308,521	$ 360,913	$ 307,073	$ 171,397	$ 267,030	$ 2,414,934	$ 625,080	$ 647,646	$ 3,687,660

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended July 31, 2021

	Programs and Services						Supporting Services		
	Residential Shelter Program	Children's Program	Bridge Program	Family Wellness Services Program	Meal Program	Total	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 950,288	$ 183,073	$ 250,199	$ 128,506	$ 204,449	$ 1,716,515	$ 383,771	$ 465,658	$ 2,565,944
Office expenses	19,405	3,376	4,902	1,668	3,569	32,920	83,402	33,001	149,323
Occupancy	65,828	13,220	10,322	4,132	13,402	106,904	14,709	13,456	135,069
Technology	37,796	10,670	15,089	6,683	7,925	78,163	17,392	28,421	123,976
Development expense	-	23,692	-	-	-	23,692	-	85,222	108,914
Food and other kitchen expense	-	-	-	-	44,972	44,972	-	-	44,972
Internships	-	-	-	3,515	-	3,515	-	-	3,515
Children's activities and education	-	48,924	-	5,440	-	54,364	-	-	54,364
Telephone	10,785	3,324	4,170	1,388	2,919	22,586	5,676	4,618	32,880
Supplies	14,187	39	14	-	230	14,470	1,330	372	16,172
Direct assistance to individuals	1,170	7,986	60,401	669	-	70,226	-	-	70,226
Staff training and subscriptions	2,484	2,471	2,125	1,144	346	8,570	938	2,799	12,307
Transportation	-	-	-	-	-	-	1,432	35	1,467
Postage and shipping	80	4	506	2	4	596	795	544	1,935
Furniture and equipment	1,197	-	-	-	-	1,197	2,942	-	4,139
Printing, copying, and publication	-	-	-	-	-	-	-	3,124	3,124
Total expenses before depreciation and special events	1,103,220	296,779	347,728	153,147	277,816	2,178,690	512,387	637,250	3,328,327
Depreciation	131,116	32,218	16,384	8,096	14,899	202,713	28,550	12,797	244,060
Less: special events, presented net on the statements of activities	-	-	-	-	-	-	-	(57,258)	(57,258)
Total expenses	$ 1,234,336	$ 328,997	$ 364,112	$ 161,243	$ 292,715	$ 2,381,403	$ 540,937	$ 592,789	$ 3,515,129

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF CASH FLOWS

For the years ended July 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (1,130,001)	$ 540,859
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	219,873	244,060
Unrealized and realized loss (gain) on investments	166,775	(374,079)
Change in beneficial interest in endowment investments	66,151	(281,915)
Interest and dividends on endowment funds	(4,750)	(5,850)
Change in assets and liabilities:		
Receivables - other	45	1,000
Grants and pledges receivable	9,847	(25,000)
Inventory	4,547	(2,103)
Prepaid expenses	38,924	37,104
Accounts payable and accrued expenses	36,178	23,212
Accrued compensation and vacation	5,596	20,365
Refundable advance	-	(420,900)
Deferred revenue	(23,000)	(151,089)
Net cash used in operating activities	(609,815)	(394,336)
Cash flows from investing activities:		
Purchases of investments	(101,460)	(44,072)
Proceeds from the sale of investments	92,936	85,572
Grant distributions from San Francisco Foundation	20,259	270,359
Purchases of property, equipment, and improvements	(10,905)	(10,952)
Net cash provided by investing activities	830	300,907
Cash flows from financing activities:		
Proceeds on EIDL loan	350,000	150,000
Borrowings on line of credit	150,000	-
Interest and dividends on endowment funds	4,750	5,850
Net cash provided by financing activities	504,750	155,850
Net (decrease) increase in cash and cash equivalents	(104,235)	62,421
Cash and cash equivalents, beginning of year	531,158	468,737
Cash and cash equivalents, end of year	$ 426,923	$ 531,158

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" or "Raphael House"), with its own community-based Board of Directors (the "Board").

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 case management services; financial assistance; 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.
- *Family Wellness Program* – provides families coaching to help individuals and families develop skills for planning, problem-solving, and living in community. Family Wellness services also provide activities designed to strengthen family bonds. These include Toddler Time, which occurs nightly and is an evening activity specifically for the 0-4 age group and their parents; the Children's Evening Program, specifically for the 5-12 age group; and the Family Activity Program that helps the whole family connect through healthy play.
- *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 financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

1. Nature of Business and Summary of Significant Accounting Policies, continued

Financial Statement Presentation, continued

For financial statement purposes, all financial transactions are reported by class of net assets as prescribed for not-for-profit organizations by the Financial Accounting Standards Board ("FASB"). The following is a description of the classes of net assets included in the financial statements.

Net Assets Without Donor Restrictions: Net assets that are not subject to donor restrictions.

Board Designated: The portion of net assets without donor restrictions 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 operating reserves. 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.

Net Assets With Donor Restrictions: Net assets subject to donor or grantor-imposed restrictions. The Organization receives contributions, at times, that fall within this net asset category. These net assets have either time or purpose restrictions that are stipulated by the donor. When a restriction expires (that is, when a purpose restriction is accomplished or a time restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statements of activities.

Donor Restricted Endowments: Gifts of cash and other assets by donors that specify the fair value of the donated assets be invested in perpetuity to provide a permanent source of income.

Cash and 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 represents amounts billed but not yet collected for services.

Grants, pledges and trade receivables are stated at the amounts management expects to collect from outstanding balances. The Organization has determined that no allowance for doubtful accounts is necessary for both of the years ended July 31, 2022 and 2021, based on management's evaluation and adjustment of a current aging of the accounts. As of July 31, 2022 and 2021, all amounts outstanding are expected to be collected within one year.

It is the Organization's policy to charge-off uncollectible receivables when management determines the amount is uncollectable. The Organization did not write off any receivables for both of the years ended July 31, 2022 and 2021.

Inventory

Inventory is comprised of food and gift cards that are used for program purposes and is stated at cost.

1. Nature of Business and Summary of Significant Accounting Policies, continued

Property, Equipment, and Improvements, Net (Encumbered)

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. Property and equipment are carried at cost or, if donated, at the fair value at the date of donation. Property and equipment are depreciated using the straight-line method over useful lives ranging from 3 to 30 years. Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Investments

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

The Organization placed 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 statements of financial position.

Accounting standards establish 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.

1. Nature of Business and Summary of Significant Accounting Policies, continued

Investments, continued

The asset's 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 Organization uses the net asset value ("NAV") to determine the fair value of all the underlying investments held with San Francisco Foundation, which do not have readily determinable fair value. The beneficial interest in endowments investment funds is classified as Level 2 fair value measurements (see Note 4).

Endowments

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 as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. For accounting and reporting purposes, the Organization classifies net assets with restrictions as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds, which are available for expenditure by the Organization in a manner consistent with the standards of prudence, prescribed by UPMIFA.

The Organization currently holds the endowment funds with a beneficial interest account until it is able to establish investment and spending policies for the endowment assets. From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as funds of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of net assets with restrictions. There were no such deficiencies as of July 31, 2022 or 2021. It is the Organization's policy to appropriate for distribution each year 4% of the average fair value of the endowment over the prior 16 quarters.

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.

Contributions and Grants

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 support with or without donor restrictions, depending on the absence or existence of donor-imposed restrictions, as applicable. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Deferred special event income represents revenues collected but not earned. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

1. Nature of Business and Summary of Significant Accounting Policies, continued

Contributed Goods and Services

Contributed goods and services are stated at their fair value, if they are ordinarily purchased and are of specialized nature. 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

The costs of providing the Organization's program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. The statements of functional expenses present natural classification detail of expenses by function. The major functional expense classifications are program services and supporting services. Program services include expenses that are directly related to providing services to help low-income families and families experiencing homelessness strengthen family bonds by achieving stable housing and financial independence and direct supervision of program activities. Supporting services are all activities of the Organization other than program services. Supporting services consist of management and general, and fundraising activities. Management and general includes expenses for general oversight and management of the Organization, recordkeeping, and budgeting. Fundraising activities include conducting fundraising events, preparing and distributing fundraising materials, and solicitation of contributions from individuals and corporations.

Expenses are allocated directly to program services if they can be specifically identified with a program. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries, payroll taxes, benefits and workers' compensation insurance for organizational support groups such as marketing, information technology, executive management, and related administrative support are allocated on the basis of estimated time and effort.

Income Taxes

The Internal Revenue Service has determined that the Raphael House is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Franchise Tax Board has determined that the Raphael House is exempt from income taxes under Section 23701d of the California Revenue and Taxation Code. However, income from activities not related to its tax-exempt purpose may be subject to taxation as unrelated business income.

Measure of Operations

In the statements of activities and change in net assets, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Income and gains related to the Employee Retention Tax Credits and Paycheck Protection Program ("PPP") loan discharge and forgiveness are shown separately from revenues from operations.

Nature of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

1. Nature of Business and Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). For nonpublic entities, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019 with early adoption permitted. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which effectively delayed the adoption date to an effective date for private entities for annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact of adoption of ASU 2016-02 on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is required to be applied retrospectively for annual periods beginning after June 15, 2021 and interim periods within fiscal years beginning after June 15, 2022 with early adoption permitted. The Organization has implemented ASU 2020-07 in the fiscal year of 2022 (see Note 15).

2. 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 cash 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.

3. Liquidity and Availability

For the year ended July 31, 2022, the Organization had a negative change in net assets of $1,130,001, positive working capital of $28,778, and negative cash from operations of $609,815. Management is continuing to work to develop strategies to increase revenues and cash flows. The ability to strengthen the Organization's liquidity will depend upon successful implementation of management's plans.

3. Liquidity and Availability, continued

The Organization owns its building outright, which is its most significant asset. In November 2021, management obtained a third-party appraisal of the buildings and improvements that are on the Organization's statements of financial position and secured by a deed of trust, due to the fact that their fair market value exceeds the stated U.S. GAAP historical cost value (see Note 8). The aggregate value of all buildings and improvements in an "as is" condition as rendered by the third-party appraiser is approximately $14,080,000.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, grants and pledges receivable, investments, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities. The Organization has financial assets available to meet cash needs for general expenditures within one year as follows as of July 31:

	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	$ 426,923	$ 531,158
Receivables - other	-	45
Grants and pledges receivable	20,403	30,250
Unrestricted investments	1,748,209	1,906,460
Beneficial interest in endowment investments	904,331	990,741
Total financial assets	3,099,866	3,458,654
Less: financial assets unavailable for general expenditures within one year, due to:		
Board designated net assets	(1,822,479)	(2,033,920)
Net assets with donor restrictions to be released in greater than one year	(860,109)	(880,538)
Financial assets available to meet cash needs for general expenditures within one year	$ 417,278	$ 544,196

In addition, the Organization has $250,000 available on a line of credit as of July 31, 2022 (see Note 9), and the Board may elect to remove designated net assets for use in operations as it deems necessary.

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, 2022:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Equity funds	$ 1,332,098	$ -	$ -	$ 1,332,098
Bond funds	416,111	-	-	416,111
Subtotal	1,748,209	-	-	1,748,209
Beneficial interest in endowment investments	-	904,331	-	904,331
Total investments at fair value	$ 1,748,209	$ 904,331	$ -	$ 2,652,540

The following table sets forth by level the fair value hierarchy of the Organization's investments at fair value as of July 31, 2021:

	Investments at Fair Value as of July 31, 2021			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Equity funds	$ 1,470,324	$ -	$ -	$ 1,470,324
Bond funds	436,136	-	-	436,136
Subtotal	1,906,460	-	-	1,906,460
Beneficial interest in endowment investments	-	990,741	-	990,741
Total investments at fair value	$ 1,906,460	$ 990,741	$ -	$ 2,897,201

For the years ended July 31, 2022 and 2021, equity funds and bond funds were held in various mutual funds.

4. Investments, continued

Investment (loss) income was as follows for the years ended July 31:

	2022	2021
Interest and dividend income	$ 56,800	$ 51,223
Realized gains on sales of investments	21,830	39,326
Unrealized (losses) gains	(275,015)	565,892
Investment fees	(28,537)	(26,095)
Total investment (loss) income	$ (224,922)	$ 630,346

5. Beneficial Interest in Endowment Investments

Fair Value of Beneficial Interest in Investments

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

6. Board Designated Net Assets

Board designated net assets consist of funds designated for general use purposes by the Board and funds designated for endowment purposes. Activities were as follows as of and for the years ended July 31, 2022 and 2021:

	2022		
	General Use Operations	Endowment	Total
Board designated net assets, beginning of year	$ 1,861,206	$ 172,714	$ 2,033,920
Designated funds released	(191,013)	(14,464)	(205,477)
Amounts appropriated for expenditure	-	(5,964)	(5,964)
Board designated net assets, end of year	$ 1,670,193	$ 152,286	$ 1,822,479

6. Board Designated Net Assets, continued

	2021		
	General Use Operations	Endowment	Total
Board designated net assets, beginning of year	$ 1,678,195	$ 136,579	$ 1,814,774
Designated funds added	183,011	41,741	224,752
Amounts appropriated for expenditure	-	(5,606)	(5,606)
Board designated net assets, end of year	$ 1,861,206	$ 172,714	$ 2,033,920

7. Endowments

As required by 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 endowment funds are held in accounts at the SFF. All funds are Level 2 pooled funds. The composition of the endowment fund was as follows as of July 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Agency Endowment Fund	$ -	$ 152,285	$ 152,285
One Organization Fund	44,222	707,824	752,046
Total endowment investments	$ 44,222	$ 860,109	$ 904,331

The composition of the endowment fund was as follows as of July 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Agency Endowment Fund	$ -	$ 172,714	$ 172,714
One Organization Fund	110,203	707,824	818,027
Total endowment investments	$ 110,203	$ 880,538	$ 990,741

7. Endowments, continued

Net changes in beneficial interest in endowment investment were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning investment balance as of August 1, 2021	$ 134,782	$ 844,403	$ 979,185
Change in beneficial interest:			
Interest and dividends	5,150	700	5,850
Unrealized gain	232,814	43,251	276,065
Total	237,964	43,951	281,915
Grant distributions of endowment for expenditure	(262,543)	(7,816)	(270,359)
Ending investment balance as of July 31, 2021	110,203	880,538	990,741
Change in beneficial interest:			
Interest and dividends	4,023	727	4,750
Unrealized loss	(58,086)	(12,815)	(70,901)
Total	(54,063)	(12,088)	(66,151)
Grant distributions of endowment for expenditure	(11,918)	(8,341)	(20,259)
Ending investment balance as of July 31, 2022	$ 44,222	$ 860,109	$ 904,331

8. Property, Equipment, and Improvements (Encumbered)

Property, equipment, and improvements (encumbered) consisted of the following as of July 31:

	2022	2021
Land	$ 800,000	$ 800,000
Building and improvements	4,072,362	4,072,362
Computers and equipment	115,394	106,988
Furniture and fixtures	271,286	271,286
Construction in progress	2,500	-
Totals	5,261,542	5,250,636
Less: accumulated depreciation	(3,424,503)	(3,204,629)
Property, equipment, and improvements (encumbered)	$ 1,837,039	$ 2,046,007

Depreciation expense was $219,873 and $244,060 for the years ended July 31, 2022 and 2021, respectively. The building is secured by a deed of trust (see Note 16).

9. Line of Credit

On September 19, 2018, the Organization entered into a twelve-month loan agreement with a bank for a revolving line of credit with an authorized limit of $400,000. The line of credit is secured by all business assets of the Organization. On March 10, 2022, the line of credit was renewed until February 19, 2023, with the outstanding principal bearing a variable interest rate at July 31, 2022. Outstanding balance on the line of credit as of July 31, 2022 and 2021 amounted to $150,000 and $0. The Organization was in compliance with all covenants as of July 31, 2022 and 2021.

10. Paycheck Protection Program

The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), provides for loans to qualifying entities for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. In April 2020, the Organization received loan proceeds in the amount of $420,900 under the PPP, for the first draw. In January 2021, the Organization received loan proceeds of $420,900 for the second PPP draw.

During the year ended July 31, 2021, the Organization elected to change its accounting policy to accounting for the funds as a conditional contribution under ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. During the year ended July 31, 2021, the Organization recognized the total amount received of $841,800 as nonoperating income on the statements of activities, as the qualified expenses were incurred and the barriers to recognition of the revenue had been met.

The Organization was informed that the first draw in the amount of $420,900 was fully forgiven as of July 26, 2021. The Organization applied for the forgiveness of the second draw of the PPP loan on November 29, 2021 and was fully forgiven on January 12, 2022.

11. Note Payable

Economic Injury Disaster Loan

In July 2020, the Organization was approved for a $150,000 loan from the Small Business Administration’s (“SBA’s”) Economic Injury Disaster Loan (“EIDL”) program. The Organization received the loan proceeds in September 2020. The EIDL program, designed to provide economic relief to businesses that experience a temporary loss of revenue due to the coronavirus pandemic (“COVID-19”), offers funds to meet financial obligations and operating expenses that could have been met had the disaster not occurred. In November 2021, the Organization was approved for an additional $350,000 loan from the EIDL program, with the amended loan amount totaling $500,000. The outstanding balance of the EIDL loan as of July 31, 2022 and 2021 was $500,000 and $150,000, respectively.

The loan is payable over thirty years at an interest rate of 2.75% per annum, with no pre-payment penalty. Installment payments of $2,206, including principal and interest, are due monthly commencing in September 2022, with the note maturing in September 2050. The Organization intends to use the proceeds for purposes consistent with the EIDL program.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of July 31, 2022:

	Beginning Balance	Contributions and Income	Released from Restrictions	Ending Balance
Children's Programs	$ 6,925	$ 36,541	$ (43,466)	$ -
Academic enrichment	-	55,350	(55,350)	-
Residential Shelter Program	24	103,600	(102,431)	1,193
Bridge Program	10,513	17,500	(28,013)	-
Timing restriction	-	13,500	(8,559)	4,941
Endowment and general operations	880,538	(12,088)	(8,341)	860,109
Total	$ 898,000	$ 214,403	$ (246,160)	$ 866,243

Net assets with donor restriction consisted of the following as of July 31, 2021:

	Beginning Balance	Contributions and Income	Released from Restrictions	Ending Balance
Children's Programs	$ 20,593	$ 45,000	$ (58,668)	$ 6,925
Academic enrichment	-	30,000	(30,000)	-
Residential Shelter Program	-	13,975	(13,951)	24
Bridge Program	134,999	42,000	(166,486)	10,513
Timing restriction	18,413	8,500	(26,913)	-
Endowment and general operations	844,403	43,951	(7,816)	880,538
Total	$ 1,018,408	$ 183,426	$ (303,834)	$ 898,000

13. Special Events

During the year ended July 31, 2022, the Organization held a fundraising gala event in May 2022. During the year ended July 31, 2021, the Organization held a single fundraising gala event in September 2020 in a virtual format.

Total revenues and expenses related to the events are as follows for the years ended July 31:

	2022	2021
Total receipts	$ 444,305	$ 418,052
Total expenses	224,934	57,258
Special events, net	$ 219,371	$ 360,794

Amounts received for the gala prior to year-end are classified as deferred special event income on the statements of financial position, and include both the earned and contribution portion of gala income. Contributed gala income is considered conditional on the occurrence of the gala, unless donors have indicated otherwise.

13. Special Events, continued

The following table provides information about significant changes in deferred revenue liabilities for the years ended July 31:

	2022	2021
Deferred revenue, beginning of year	$ 23,000	$ 174,089
Add: Increase in deferred revenue due to cash received during the year	-	23,000
Less: Revenue recognized that was included in deferred revenue at the beginning of the year	(23,000)	(174,089)
Deferred revenue, end of year	$ -	$ 23,000

14. Rental Income

The Organization leases space to a tenant under a non-cancelable operating lease expiring August 31, 2020. In September 2020, the lease was renewed on a month-to-month basis. Rental income is classified as other revenues on the statements of activities.

15. Contributed Goods and Services

The Organization received contributed consulting services and food items during the years ended July 31, 2022 and 2021. The fair value of donated goods and services was as follows for the years ended July 31:

	2022	2021	Program/ Activity Utilization	Donor Restriction	Valuation Techniques and Inputs
Contributed services	$ 20,354	$ 3,515	Family Wellness	None	Contributed services from therapists and executive coaches are valued at the estimated fair value based on current rates for similar services.
Contributed goods	5,561	4,190	Family Wellness	None	Donations are valued by researching the values of the items using available resources including third party pricing research at similar stores.
Total	$ 25,915	$ 7,705			

16. Commitments and Contingencies

Refundable Grant

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 begins accruing upon an event of default, including failing to deliver charitable services for a period of 55 years. No event of default has occurred as of July 31, 2022; therefore, interest has not been accrued.

16. Commitments and Contingencies, continued

COVID-19 Pandemic

In March 2020, the World Health Organization declared the COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations, including the Organization. During parts of the pandemic, the Organization has limited the number of families housed at its facility in order to ensure proper social distancing measures, and increased its cleaning and maintenance protocols.

17. Employee Retention Tax Credits

Under the Consolidated Appropriations Act, 2021 passed by the United States Congress and signed by the President on December 27, 2020, provisions of the CARES Act were extended and modified making the Organization eligible for a refundable employee retention credit subject to meeting certain criteria. In October 2021, the Organization received funding related to the Employee Retention Tax Credits of approximately $244,000, which is classified as non-operating revenue on the statements of activities.

18. Subsequent Events

Management has evaluated subsequent events through January 25, 2023, the date which the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since July 31, 2022 that require recognition or disclosure in the financial statements.