

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

FINANCIAL STATEMENTS

July 31, 2024 and 2023



RAPHAEL HOUSE OF SAN FRANCISCO, INC.

T A B L E O F C O N T E N T S

	Page(s)
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-23



3800 Kilroy Airport Way, Suite 250, Long Beach, CA 90806
Phone 562-420-3100 | Fax 562-420-3232 | bpm@bpm.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the 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, 2024 and 2023, 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, 2024 and 2023, 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.

Responsibilities 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 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.'s ability 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.

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

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.

A handwritten signature in black ink that reads "BPM LLP". The letters are stylized and slanted to the right.

Long Beach, California
February 13, 2025

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF FINANCIAL POSITION

As of July 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,018,658	\$ 1,213,584
Grants and pledges receivable, net	81,509	110,041
Inventory	10,566	5,474
Prepaid expenses	92,367	64,101
Total current assets	3,203,100	1,393,200
Long-term assets:		
Investments:		
Beneficial interest in endowment investments	179,985	887,231
Right-of-use asset	31,543	38,813
Property, equipment, and improvements, net	1,355,051	1,638,901
Total assets	<u>\$ 4,769,679</u>	<u>\$ 3,958,145</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 244,636	\$ 261,248
Accrued compensation and vacation	162,056	166,999
Current portion of notes payable - Economic Injury Disaster Loan	13,395	12,967
Lease liability, current portion	6,926	7,342
Total current liabilities	427,013	448,556
Long-term liabilities:		
Lease liability, net of current portion	23,924	31,471
Note payable, Economic Injury Disaster Loan, net of current portion	473,638	487,033
Security deposits	-	7,500
Total liabilities	924,575	974,560
Commitments and contingencies (Note 17)		
Net assets:		
Without donor restrictions:		
Undesignated	3,594,617	919,835
Board designated	3,607	1,071,564
Total without donor restrictions	3,598,224	1,991,399
With donor restrictions	246,880	992,186
Total net assets	3,845,104	2,983,585
Total liabilities and net assets	<u>\$ 4,769,679</u>	<u>\$ 3,958,145</u>

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF ACTIVITIES

For the year ended July 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Public support:			
Donations from individuals	\$ 1,118,918	\$ 89,100	\$ 1,208,018
Foundation gifts and trusts	885,433	146,889	1,032,322
Donations from corporations and businesses	163,364	2,695	166,059
Special events income (net of direct expenses of \$271,903)	721,023	-	721,023
Donations from churches and civic groups	60,028	13,000	73,028
Bequests	6,701	-	6,701
Contributed goods and services	22,812	-	22,812
Total public support	2,978,279	251,684	3,229,963
Other revenues:			
Investment income (net of direct expenses of \$4,131)	(24,293)	13,246	(11,047)
Rental income	36,754	-	36,754
Interest income	27,199	-	27,199
Gain on disposal of building	1,413,786	-	1,413,786
Miscellaneous	2,711	-	2,711
Total other revenues	1,456,157	13,246	1,469,403
Net assets released from restrictions	1,010,236	(1,010,236)	-
Total support, revenues, and transfers	5,444,672	(745,306)	4,699,366
Expenses:			
Program services:			
Residential Shelter Program	1,584,300	-	1,584,300
Children's Programs	360,642	-	360,642
Bridge Program	213,363	-	213,363
Meal Program	305,051	-	305,051
Total program services	2,463,356	-	2,463,356
Management and general	659,974	-	659,974
Fundraising	714,517	-	714,517
Total expenses	3,837,847	-	3,837,847
Change in net assets	1,606,825	(745,306)	861,519
Net assets, beginning of year	1,991,399	992,186	2,983,585
Net assets, end of year	\$ 3,598,224	\$ 246,880	\$ 3,845,104

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF ACTIVITIES

For the year ended July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Public support:			
Donations from individuals	\$ 904,857	\$ 130,000	\$ 1,034,857
Foundation gifts and trusts	689,721	59,775	749,496
Donations from corporations and businesses	129,610	230,420	360,030
Special events income (net of direct expenses of \$277,974)	604,321	-	604,321
Donations from churches and civic groups	53,804	33,500	87,304
Bequests	178,279	-	178,279
Contributed goods and services	24,554	-	24,554
Total public support	2,585,146	453,695	3,038,841
Other revenues:			
Investment income (net of direct expenses of \$22,348)	16,737	-	16,737
Change in beneficial interest in endowment investments	39,711	10,274	49,985
Rental income	40,095	-	40,095
Miscellaneous	809	-	809
Total other revenues	97,352	10,274	107,626
Net assets released from restrictions	338,026	(338,026)	-
Total support, revenues, and transfers	3,020,524	125,943	3,146,467
Expenses:			
Program services:			
Residential Shelter Program	1,558,452	-	1,558,452
Children's Programs	336,853	-	336,853
Bridge Program	295,285	-	295,285
Family Wellness Services Program	165,924	-	165,924
Meal Program	296,159	-	296,159
Total program services	2,652,673	-	2,652,673
Management and general	759,704	-	759,704
Fundraising	761,362	-	761,362
Total expenses	4,173,739	-	4,173,739
Change in net assets	(1,153,215)	125,943	(1,027,272)
Net assets, beginning of year	3,144,614	866,243	4,010,857
Net assets, end of year	\$ 1,991,399	\$ 992,186	\$ 2,983,585

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended July 31, 2024

	Programs and Services					Supporting Services		Total Expenses
	Residential Shelter Program	Children's Program	Bridge Program	Meal Program	Total	Management and General	Fundraising	
Salaries and benefits	\$ 1,206,008	\$ 208,958	\$ 166,843	\$ 131,976	\$ 1,713,785	\$ 391,914	\$ 503,986	\$ 2,609,685
Development expense	-	-	-	-	-	-	368,335	368,335
Office expenses	34,463	5,882	5,390	3,406	49,141	198,491	20,616	268,248
Occupancy	121,249	17,070	7,830	9,768	155,917	22,441	21,349	199,707
Technology	66,361	16,417	15,033	4,815	102,626	22,378	43,288	168,292
Food and other kitchen expense	-	-	-	141,890	141,890	-	-	141,890
Direct assistance to individuals	4,145	40,265	1,619	-	46,029	-	-	46,029
Children's activities and education	655	41,082	-	-	41,737	-	-	41,737
Telephone	16,299	2,784	2,461	1,614	23,158	6,102	8,695	37,955
Supplies	17,824	51	30	31	17,936	994	2,230	21,160
Staff training and subscriptions	2,552	675	955	20	4,202	2,774	3,245	10,221
Internships	3,600	500	-	-	4,100	-	1,800	5,900
Postage and shipping	123	-	955	-	1,078	468	919	2,465
Transportation	-	-	-	-	-	1,815	110	1,925
Furniture and equipment	667	-	-	-	667	1,048	-	1,715
Printing, copying, and publication	-	-	-	-	-	-	588	588
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Total expenses before depreciation and special events	1,473,946	333,684	201,116	293,520	2,302,266	648,425	975,161	3,925,852
Depreciation	110,354	26,958	12,247	11,531	161,090	11,549	11,259	183,898
Less: special events, presented net on the statements of activities	-	-	-	-	-	-	(271,903)	(271,903)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 1,584,300</u>	<u>\$ 360,642</u>	<u>\$ 213,363</u>	<u>\$ 305,051</u>	<u>\$ 2,463,356</u>	<u>\$ 659,974</u>	<u>\$ 714,517</u>	<u>\$ 3,837,847</u>

The accompanying notes are an integral part of these financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended July 31, 2023

	Programs and Services					Supporting Services			Total Expenses
	Residential Shelter Program	Children's Program	Bridge Program	Family Wellness Services Program	Meal Program	Total	Management and General	Fundraising	
Salaries and benefits	\$ 1,174,519	\$ 212,151	\$ 227,298	\$ 127,502	\$ 136,762	\$ 1,878,232	\$ 504,681	\$ 587,238	\$ 2,970,151
Development expense	-	-	-	-	-	-	-	355,434	355,434
Office expenses	29,113	4,815	4,595	3,492	3,141	45,156	149,851	13,190	208,197
Technology	77,051	16,486	20,111	13,642	6,044	133,334	28,785	43,435	205,554
Occupancy	112,743	19,521	8,725	5,851	12,484	159,324	18,758	15,480	193,562
Food and other kitchen expense	-	-	-	-	123,217	123,217	-	-	123,217
Direct assistance to individuals	5,187	18,825	14,068	2,046	-	40,126	-	-	40,126
Telephone	15,786	2,666	2,647	2,007	1,771	24,877	7,624	7,326	39,827
Children's activities and education	-	31,317	-	2,978	-	34,295	-	-	34,295
Internships	4,575	500	-	-	-	5,075	17,684	900	23,659
Supplies	20,607	25	3	2	2	20,639	226	56	20,921
Staff training and subscriptions	1,600	2,305	3,039	1,100	100	8,144	3,120	2,746	14,010
Postage and shipping	1,274	195	1,101	141	127	2,838	858	1,474	5,170
Furniture and equipment	323	-	-	-	-	323	1,453	-	1,776
Transportation	-	-	-	-	-	-	1,458	78	1,536
Printing, copying, and publication	-	-	-	-	-	-	68	475	543
Total expenses before depreciation and special events	1,442,778	308,806	281,587	158,761	283,648	2,475,580	734,566	1,027,832	4,237,978
Depreciation	115,674	28,047	13,698	7,163	12,511	177,093	25,138	11,504	213,735
Less: special events, presented net on the statements of activities	-	-	-	-	-	-	-	(277,974)	(277,974)
Total expenses	\$ 1,558,452	\$ 336,853	\$ 295,285	\$ 165,924	\$ 296,159	\$ 2,652,673	\$ 759,704	\$ 761,362	\$ 4,173,739

The accompanying notes are an integral part of these financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

STATEMENTS OF CASH FLOWS

For the years ended July 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 861,519	\$ (1,027,272)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	183,898	213,735
Unrealized and realized (gain) loss on investments	-	(39,381)
Change in beneficial interest in endowment investments	11,047	(27,967)
(Gain) loss from sale of building	(1,413,786)	100
Interest and dividends on endowment funds	-	(3,779)
Operating lease right-of-use asset amortization	7,270	-
Change in assets and liabilities:		
Grants and pledges receivable	28,532	(89,638)
Inventory	(5,092)	7,331
Prepaid expenses	(28,266)	3,117
Accounts payable and accrued expenses	(16,612)	89,123
Accrued compensation and vacation	(4,943)	(9,447)
Security deposits	(7,500)	-
Operating lease liability	(7,963)	-
Net cash used in operating activities	(391,896)	(884,078)
Cash flows from investing activities:		
Purchases of investments	-	(790,981)
Proceeds from the sale of investments	-	1,807,553
Grant distributions from San Francisco Foundation	696,202	816,084
Proceeds from the sale of building	1,608,601	-
Purchases of property, equipment, and improvements	(94,866)	(15,696)
Net cash provided by investing activities	2,209,937	1,816,960
Cash flows from financing activities:		
Payments on Economic Injury Disaster Loan	(12,967)	-
Payments on line of credit	-	(150,000)
Interest and dividends on endowment funds	-	3,779
Net cash used in financing activities	(12,967)	(146,221)
Net increase in cash and cash equivalents	1,805,074	786,661
Cash and cash equivalents, beginning of year	1,213,584	426,923
Cash and cash equivalents, end of year	\$ 3,018,658	\$ 1,213,584

The accompanying notes are an integral part of these financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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.
- *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").

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 available for use at the discretion of the Board and/or management for general operations and 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.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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

Financial Statement Presentation, continued

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 on 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.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use are restricted by explicit donor stipulation or by law.

Donor restricted revenues for which the restrictions expire during the same fiscal year in which the revenues are made are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions. When a donor restriction expires, that is, when a stipulated time restriction end, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

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

Grants, pledges, and trade receivables are stated at the amounts management expects to collect from outstanding balances. The Organization has determined that an allowance for current expected credit loss was not necessary for the years ended July 31, 2024 and 2023, based on management's evaluation and adjustment of a current aging of the accounts. As of July 31, 2024 and 2023, 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 the years ended July 31, 2024 and 2023.

Inventory

Inventory is comprised of food and gift cards that are used for program purposes and is stated at the lower of cost or net realizable value.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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

Property, Equipment, and Improvements, Net

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 on 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 on 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.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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 5).

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, 2024 or 2023. 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 on 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.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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

Contributed Nonfinancial Assets

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteer services are not recognized as contributions in the financial statements since the recognition criteria were not met. Contributed nonfinancial assets are presented as a separate line item on the statements of activities, apart from contributions of cash and other financial assets. The Organization is required to disclose (a) A disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and (b) For each category of contributed nonfinancial assets recognized provides: (i) Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, the Organization will disclose a description of the programs or other activities in which those assets were used; (ii) the Organization's policy about monetizing rather than utilizing contributed non-financial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) a description of the valuation techniques and inputs used to arrive at a fair value measure; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure.

Functional Allocation of Expenses

The costs of providing the Organization's program and other activities have been summarized on a functional basis on the statements of activities and functional expenses, which 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 Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Franchise Tax Board has determined that the Organization 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. The Organization does not believe that its financial statements include any uncertain tax positions and accordingly, has not recorded a liability for unrecognized taxes in the accompanying financial statements.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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

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.

Leases

The Organization adheres to FASB Accounting Standards Codification ("ASC") 842, *Leases*. The standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition on the statements of activities. Leases with a term of less than 12 months will not record a ROU asset and lease liability and the payments will be recognized in the change in net assets on a straight-line basis over the lease term.

Recently Adopted Accounting Pronouncements

On August 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), and all related subsequent amendments (collectively, "ASC 326"), which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial assets using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Similar financial assets are grouped into separate pools based on unique financial characteristics, and an allowance is calculated for each pool. The Organization adopted ASC 326 using the modified retrospective approach for all financial assets measure at amortized cost and as a result, there were no impact to the Organization's beginning net assets.

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.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

3. Liquidity and Availability

The following reflects the Organization's financial assets as of the statement of financial position dates, reduced by amounts not available for general use because of contractual or donor-imposed purpose restrictions within one year of the statement of financial position dates.

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 receivables, and investments.

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:

	2024	2023
Financial assets, at year-end:		
Cash and cash equivalents	\$ 3,018,658	\$ 1,213,584
Grants and pledges receivable	81,509	110,041
Beneficial interest in endowment investments	179,985	887,231
Total financial assets	3,280,152	2,210,856
Less: financial assets unavailable for general expenditures within one year, due to:		
Board designated net assets	(3,607)	(1,071,564)
Net assets with donor restrictions to be released in greater than one year	(177,190)	(862,288)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,099,355	\$ 277,004

On November 13, 2023, the Board issued a corporate resolution to authorize and remove the restriction on the Board designated endowment net assets of \$707,824 to support the operational needs of the Organization.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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, 2024:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest in endowment investments	\$ -	\$ 179,985	\$ -	\$ 179,985
Total investments at fair value	\$ -	\$ 179,985	\$ -	\$ 179,985

The following table sets forth by level the fair value hierarchy of the Organization's investments at fair value as of July 31, 2023:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest in endowment investments	\$ -	\$ 887,231	\$ -	\$ 887,231
Total investments at fair value	\$ -	\$ 887,231	\$ -	\$ 887,231

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

	2024	2023
Interest and dividend income	\$ 1,455	\$ 49,689
Realized gains on sales of investments	-	285,956
Unrealized losses	(8,371)	(246,575)
Investment fees	(4,131)	(22,348)
Total investment income (loss)	\$ (11,047)	\$ 66,722

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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, 2024 and 2023:

	2024		
	General Use Operations	Endowment	Total
Board designated net assets, beginning of year	\$ 917,100	\$ 154,464	\$ 1,071,564
Designated funds added (released)	(916,287)	(149,683)	(1,065,970)
Amounts appropriated for expenditure	-	(1,987)	(1,987)
Board designated net assets, end of year	<u>\$ 813</u>	<u>\$ 2,795</u>	<u>\$ 3,607</u>
	2023		
	General Use Operations	Endowment	Total
Board designated net assets, beginning of year	\$ 1,670,193	\$ 152,286	\$ 1,822,479
Designated funds added (released)	(753,093)	8,262	(744,831)
Amounts appropriated for expenditure	-	(6,084)	(6,084)
Board designated net assets, end of year	<u>\$ 917,100</u>	<u>\$ 154,464</u>	<u>\$ 1,071,564</u>

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

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 the Organization. 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, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Agency Endowment Fund	\$ -	\$ 159,367	\$ 159,367
One Organization Fund	2,795	17,823	20,618
Total endowment investments	<u>\$ 2,795</u>	<u>\$ 177,190</u>	<u>\$ 179,985</u>

The composition of the endowment fund was as follows as of July 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Agency Endowment Fund	\$ -	\$ 154,464	\$ 154,464
One Organization Fund	24,943	707,824	732,767
Total endowment investments	<u>\$ 24,943</u>	<u>\$ 862,288</u>	<u>\$ 887,231</u>

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

7. Endowments, continued

Net changes in beneficial interest in endowment investment were as follows as of July 31, 2024 and 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning investment balance as of August 1, 2023	\$ 44,222	\$ 860,109	\$ 904,331
Change in beneficial interest:			
Interest and dividends	3,137	642	3,779
Unrealized gain (loss)	36,574	9,632	46,206
Total	39,711	10,274	49,985
Grant distributions of endowment for expenditure	(58,989)	(8,096)	(67,085)
Ending investment balance as of July 31, 2023	24,944	862,287	887,231
Change in beneficial interest:			
Interest and dividends	674	781	1,455
Unrealized gain (loss)	(20,836)	12,465	(8,371)
Total	(20,162)	13,246	(6,916)
Grant distributions of endowment for expenditure	(1,987)	(698,343)	(700,330)
Ending investment balance as of July 31, 2024	\$ 2,795	\$ 177,190	\$ 179,985

8. Property, Equipment, and Improvements

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

	2024	2023
Land	\$ 666,666	\$ 800,000
Building and improvements	3,649,671	4,075,752
Computers and equipment	106,514	113,029
Furniture and fixtures	234,854	272,475
Construction in progress	71,260	-
Totals	4,728,965	5,261,256
Less: accumulated depreciation	(3,373,914)	(3,622,355)
Property, equipment, and improvements	\$ 1,355,051	\$ 1,638,901

Depreciation expense was \$183,898 and \$213,735 for the years ended July 31, 2024 and 2023, respectively. The building is secured by a deed of trust. In May 2023, a lien on the building was removed (see Note 17). On July 1, 2024, the Organization sold the Family Services Building and reported a gain on the sale of the building for \$1,413,786 on the statement of activities.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

9. Operating Lease

The Organization had an equipment lease with Ricoh USA, Inc. for a term of 5 years. The monthly lease payment is \$693. The lease will automatically renew on a month-to-month basis, unless either party notifies the other in writing at least 30 days, but not more than 120 days, prior to the expiration of the term. The ROU assets and lease liabilities amounted to \$30,850 as of July 31, 2024.

As of July 31, 2024, the maturity of operating lease liabilities was as follows:

Year ending July 31:		
2025	\$	7,698
2026		8,317
2027		8,317
2028		8,317
		<hr/>
Total payments		32,649
Less: interest		(1,799)
		<hr/>
Present value of obligations	\$	<u>30,850</u>

The weighted-average remaining lease term was approximately 4.00 years as of July 31, 2024. For the year ended July 31, 2024, the weighted-average discount rate was 2.75%.

10. 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 as of July 31, 2022. The outstanding balance on the line of credit as of July 31, 2022 amounted to \$150,000. In July 2023, the outstanding balance on the line of credit was paid off in full and the Organization does not have plans to renew or enter into a line of credit at this time.

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 was \$487,033 and \$500,000 as of July 31, 2024 and 2023, 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.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

11. Note Payable, continued

Economic Injury Disaster Loan, continued

Principal payments of the EIDL loan are as follows:

For the year ending July 31, 2024:			
2025		\$	13,395
2026			13,768
2027			14,151
2028			14,545
Thereafter			431,174
			431,174
		\$	487,033

12. Net Assets with Donor Restrictions

Net assets with donor restriction consisted of the following as of July 31, 2024:

	Beginning Balance	Contributions and Income	Released from Restrictions	Ending Balance
Children's Programs	\$ -	\$ 40,889	\$ (40,889)	\$ -
Academic enrichment	-	8,000	(8,000)	-
Residential Shelter Program	100,000	10,695	(110,384)	311
Meal Program	-	10,000	(10,000)	-
Timing restriction	29,898	182,100	(124,796)	87,202
Endowment and general operations	862,288	13,246	(716,167)	159,367
	\$ 992,186	\$ 264,930	\$ (1,010,236)	\$ 246,880
Total	\$ 992,186	\$ 264,930	\$ (1,010,236)	\$ 246,880

Net assets with donor restriction consisted of the following as of July 31, 2023:

	Beginning Balance	Contributions and Income	Released from Restrictions	Ending Balance
Children's Programs	\$ -	\$ 40,775	\$ (40,775)	\$ -
Academic enrichment	-	12,500	(12,500)	-
Residential Shelter Program	1,193	315,000	(216,193)	100,000
Bridge Program	-	30,000	(30,000)	-
Timing restriction	4,941	55,420	(30,463)	29,898
Endowment and general operations	860,109	10,274	(8,095)	862,288
	\$ 866,243	\$ 463,969	\$ (338,026)	\$ 992,186
Total	\$ 866,243	\$ 463,969	\$ (338,026)	\$ 992,186

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

13. Special Events

For the year ended July 31, 2024, the Organization held a fundraising gala event in May 2024. For the year ended July 31, 2023, the Organization held a fundraising gala event in May 2023.

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

	2024	2023
Total receipts	\$ 992,926	\$ 882,295
Total expenses	271,903	277,974
Special events, net	\$ 721,023	\$ 604,321

14. Rental Income

The Organization leases space to a tenant under a non-cancelable operating lease that expired on 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 Nonfinancial Assets

The Organization received contributed consulting services and food items for the years ended July 31, 2024 and 2023. The fair value of donated goods and services was as follows for the years ended July 31:

	2024	2023	Program/ Activity Utilization	Donor Restriction	Valuation Techniques and Inputs
Contributed services	\$ 14,773	\$ 23,159	Consulting Service	None	Contributed services from consultant and legal counsel are valued at the estimated fair value based on current rates for similar services.
Contributed goods	8,039	1,395	Family Services	None	Donations are valued by researching the values of the items using available resources including third party pricing research at similar stores.
Total	\$ 22,812	\$ 24,554			

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. In May 2023, a lien on the building was removed through execution of the Substitution of Trustee and Deed of Full Reconveyance and substituted Northern California Community Loan Fund as Trustee.

RAPHAEL HOUSE OF SAN FRANCISCO, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2024 and 2023

17. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through February 13, 2025, the date which these financial statements were available to be issued. Management determined that no material subsequent events have occurred since July 31, 2024 that require recognition or disclosure in these financial statements.