

RAPHAEL HOUSE OF PORTLAND

Audited Financial Statements

For the Year Ended June 30, 2019



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Raphael House of Portland

We have audited the accompanying financial statements of Raphael House of Portland (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Raphael House of Portland as of June 30, 2019, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Raphael House of Portland's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
November 26, 2019

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

| | 2019 | 2018 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 168,954 | \$ 201,045 |
| Investments | 807,459 | 764,313 |
| Accounts and pledges receivable, net | 423,750 | 325,584 |
| Prepaid expenses | 43,550 | 31,729 |
| Total current assets | 1,443,713 | 1,322,671 |
| | | |
| Pledges receivable | - | 15,000 |
| Endowment investments | 184,400 | 173,851 |
| Property and equipment, net | 2,213,437 | 2,316,672 |
| | | |
| TOTAL ASSETS | \$ 3,841,550 | \$ 3,828,194 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 101,496 | \$ 68,221 |
| Deposits | 2,564 | 17,585 |
| Deferred revenue | 6,500 | 21,500 |
| Line of credit | - | 40,000 |
| Total current liabilities | 110,560 | 147,306 |
| | | |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 1,289,577 | 1,102,055 |
| Board-designated | 78,786 | 74,254 |
| Net property and equipment | 2,213,437 | 2,316,672 |
| Total without donor restrictions | 3,581,800 | 3,492,981 |
| With donor restrictions | 149,190 | 187,907 |
| Total net assets | 3,730,990 | 3,680,888 |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,841,550 | \$ 3,828,194 |

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

| | 2019 | | | 2018 Total |
|--|-------------------------------|----------------------------|--------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Support and revenue: | | | | |
| Contributions | \$ 673,786 | \$ 130,433 | \$ 804,219 | \$ 704,519 |
| Government grants and contracts | 1,444,211 | - | 1,444,211 | 1,087,133 |
| Donated facilities, materials and services | 138,978 | - | 138,978 | 179,587 |
| Special events, net direct costs of \$81,928 in 2019 and \$75,384 in 2018 | 229,326 | - | 229,326 | 204,717 |
| Investment income | 52,862 | 6,016 | 58,878 | 20,717 |
| Other income | 9,777 | - | 9,777 | 3,307 |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose and time restrictions | 175,166 | (175,166) | - | - |
| Total support and revenue | 2,724,106 | (38,717) | 2,685,389 | 2,199,980 |
| Expenses: | | | | |
| Program services | 2,044,254 | - | 2,044,254 | 1,848,283 |
| Administration | 231,452 | - | 231,452 | 178,732 |
| Fundraising | 359,581 | - | 359,581 | 387,352 |
| Total expenses | 2,635,287 | - | 2,635,287 | 2,414,367 |
| Change in net assets | 88,819 | (38,717) | 50,102 | (214,387) |
| Net assets: | | | | |
| Beginning of year | 3,492,981 | 187,907 | 3,680,888 | 3,895,275 |
| End of year | \$ 3,581,800 | \$ 149,190 | \$ 3,730,990 | \$ 3,680,888 |

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

| | Program Services | | | | | | Total Program Services | Admin- istration | Fund- raising | Total |
|--|-----------------------|---------------------------------|-------------------|-------------------------------|----------------------|-----------------------|------------------------------|---------------------|-------------------|---------------------|
| | Emergency Services | Housing Programs/ Support | Youth Program | Advocacy Center Program | Volunteer Program | Community Programs | | | | |
| Salaries | \$ 399,021 | \$ 109,022 | \$ 155,683 | \$ 109,255 | \$ 38,685 | \$ 217,086 | \$ 1,028,752 | \$ 254,575 | \$ 188,092 | \$ 1,471,419 |
| Payroll taxes and employee benefits | 83,483 | 21,041 | 29,881 | 25,957 | 5,146 | 42,783 | 208,291 | 37,298 | 39,011 | 284,600 |
| Professional fees | 58 | - | - | - | 82 | - | 140 | 47,501 | 2,448 | 50,089 |
| Consulting and contract services | 11,792 | - | - | - | - | - | 11,792 | - | - | 11,792 |
| Client services and assistance | 11,022 | 262,082 | 2,325 | 28,878 | - | 11,039 | 315,346 | - | 300 | 315,646 |
| Supplies | 98,236 | 737 | 46,617 | 1,056 | 362 | 2,918 | 149,926 | 4,044 | 2,791 | 156,761 |
| Occupancy | 45,976 | - | - | 3,250 | - | 1,121 | 50,347 | 216 | 1,946 | 52,509 |
| Office expense | 18,895 | 1,030 | 984 | 1,579 | 1,680 | 12,760 | 36,928 | 15,668 | 9,564 | 62,160 |
| Travel | 2,307 | 1,703 | 1,420 | 428 | - | 3,804 | 9,662 | 841 | 943 | 11,446 |
| Training | 4,262 | 381 | 1,332 | 1,330 | 60 | 2,702 | 10,067 | 509 | 895 | 11,471 |
| Insurance | 25,482 | 1,182 | 5,812 | 1,818 | 2,201 | 1,773 | 38,268 | 8,352 | 1,507 | 48,127 |
| Fundraising and media relations | - | - | - | - | - | 13 | 13 | 5 | 103,767 | 103,785 |
| Other operating costs | 204 | - | - | - | - | - | 204 | 6,205 | 13,803 | 20,212 |
| Depreciation | 111,534 | - | 85 | 279 | - | 920 | 112,818 | 4,380 | - | 117,198 |
| Expense allocation | (137,569) | 54,855 | 1,252 | 61,825 | 23,698 | 67,639 | 71,700 | (148,142) | 76,442 | - |
| Total operating expenses | 674,703 | 452,033 | 245,391 | 235,655 | 71,914 | 364,558 | 2,044,254 | 231,452 | 441,509 | 2,717,215 |
| Less expenses netted with revenue on the statement of activities: | | | | | | | | | | |
| Direct cost of special events | - | - | - | - | - | - | - | - | (81,928) | (81,928) |
| Total expenses | <u>\$ 674,703</u> | <u>\$ 452,033</u> | <u>\$ 245,391</u> | <u>\$ 235,655</u> | <u>\$ 71,914</u> | <u>\$ 364,558</u> | <u>\$ 2,044,254</u> | <u>\$ 231,452</u> | <u>\$ 359,581</u> | <u>\$ 2,635,287</u> |

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

| | Program Services | | | | | | Total Program Services | Admin- istration | Fund- raising | Total |
|--|-----------------------|---------------------------------|-------------------|-------------------------------|----------------------|-----------------------|------------------------------|---------------------|-------------------|---------------------|
| | Emergency Services | Housing Programs/ Support | Youth Program | Advocacy Center Program | Volunteer Program | Community Programs | | | | |
| Salaries | \$ 396,637 | \$ 87,108 | \$ 148,256 | \$ 96,058 | \$ 37,209 | \$ 120,796 | \$ 886,064 | \$ 209,004 | \$ 234,633 | \$ 1,329,701 |
| Payroll taxes and employee benefits | 73,836 | 15,344 | 28,852 | 19,184 | 6,774 | 28,116 | 172,106 | 28,189 | 44,853 | 245,148 |
| Professional fees | - | - | - | - | - | - | - | 59,683 | 795 | 60,478 |
| Consulting and contract services | 11,463 | - | - | - | - | - | 11,463 | - | - | 11,463 |
| Client services and assistance | 14,328 | 212,548 | 1,662 | 11,983 | - | 5,744 | 246,265 | - | - | 246,265 |
| Supplies | 131,420 | 427 | 41,166 | 1,221 | 222 | 12,204 | 186,660 | 4,132 | 8,741 | 199,533 |
| Occupancy | 45,625 | 850 | 397 | 3,250 | - | 2,800 | 52,922 | 677 | 2,201 | 55,800 |
| Office expense | 13,455 | 1,279 | 646 | 1,493 | 962 | 6,880 | 24,715 | 14,250 | 717 | 39,682 |
| Travel | 1,870 | 2,046 | 649 | 341 | 39 | 2,717 | 7,662 | 849 | 1,828 | 10,339 |
| Training | 3,232 | 970 | 140 | 4,280 | 125 | 2,029 | 10,776 | (615) | 2,814 | 12,975 |
| Insurance | 31,141 | 1,025 | 4,137 | 1,417 | 1,407 | 1,022 | 40,149 | 8,654 | 1,684 | 50,487 |
| Fundraising and media relations | - | 16 | - | - | 225 | - | 241 | 14 | 97,690 | 97,945 |
| Other operating costs | 877 | 287 | - | 16 | - | - | 1,180 | 3,589 | 3,599 | 8,368 |
| Depreciation | 115,613 | - | 168 | 72 | - | 586 | 116,439 | 5,128 | - | 121,567 |
| Expense allocation | (159,662) | 46,361 | 26,172 | 68,959 | 26,949 | 82,862 | 91,641 | (154,822) | 63,181 | - |
| Total operating expenses | 679,835 | 368,261 | 252,245 | 208,274 | 73,912 | 265,756 | 1,848,283 | 178,732 | 462,736 | 2,489,751 |
| Less expenses netted with revenue on the statement of activities: | | | | | | | | | | |
| Direct cost of special events | - | - | - | - | - | - | - | - | (75,384) | (75,384) |
| Total expenses | <u>\$ 679,835</u> | <u>\$ 368,261</u> | <u>\$ 252,245</u> | <u>\$ 208,274</u> | <u>\$ 73,912</u> | <u>\$ 265,756</u> | <u>\$ 1,848,283</u> | <u>\$ 178,732</u> | <u>\$ 387,352</u> | <u>\$ 2,414,367</u> |

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 50,102 | \$ (214,387) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 117,198 | 121,567 |
| Less donated property and equipment | 3,000 | - |
| Change in value of investments | (34,162) | (2,415) |
| (Increase) decrease in: | | |
| Accounts and pledges receivable | (83,166) | 48,504 |
| Prepaid expenses | (11,821) | (16,149) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 33,275 | 17,435 |
| Deposits | (15,021) | 421 |
| Deferred revenue | (15,000) | 21,500 |
| Net cash flows from operating activities | <u>44,405</u> | <u>(23,524)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (16,963) | (10,171) |
| Additions to investments | (94,102) | (150,956) |
| Proceeds from the sale of investments | 74,569 | 37,726 |
| Net cash flows from investing activities | <u>(36,496)</u> | <u>(123,401)</u> |
| Cash flows from financing activities: | | |
| Proceeds (repayments) from line of credit | (40,000) | 40,000 |
| Net cash flows from financing activities | <u>(40,000)</u> | <u>40,000</u> |
| Net change in cash and cash equivalents | (32,091) | (106,925) |
| Cash and cash equivalents - beginning of year | <u>201,045</u> | <u>307,970</u> |
| Cash and cash equivalents - end of year | <u>\$ 168,954</u> | <u>\$ 201,045</u> |

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

I. NATURE OF ACTIVITIES

Raphael House of Portland (the Organization) is a nonprofit human service agency established in Portland, Oregon in 1977 to assist families in crisis. The Organization's mission is: *"We believe everyone deserves to live a life free of violence. The mission of Raphael House is to engage our entire community in non-violent living through advocacy, education, community outreach, and providing a safe haven from domestic violence."*

Assistance includes housing, advocacy, information and referral services, community education, and other specially designed services in support of the Organization's programs. These services include emergency food, clothing and transportation, youth programs, and support groups. The Organization's programs are supported primarily through contributions and government grants. Government grants from two agencies represent 52% of total support and revenue for the year ended June 30, 2019 (two agencies represent 48% of total support in 2018).

The Organization's programs are as follows:

Emergency Services

Each year up to 100 survivors stay at the Organization's emergency shelter an average of seven weeks. It is confidentially located and can house up to 43 survivors (adults and children) at one time. The shelter is a safe and comfortable environment where survivors can access the resources necessary to help build a violence free life.

Housing Programs/Support:

Home in Hand / Hoqar en Mano Housing Program

The Organization operates a scattered housing program. Up to 20 survivors and their children are assisted through housing and ongoing advocacy for a period of up to 24 months.

Shelter to Stability

The Organization provides support to survivors moving out of the three Multnomah County Domestic Violence Shelters and into housing by helping them pay off previously incurred housing debt or debt that is preventing them from being housed or supporting survivors in relocating for housing opportunities.

Youth Program

The youth program provides advocacy, safety planning and developmentally appropriate activities for emergency shelter residents under 18 years of age.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

I. NATURE OF ACTIVITIES, Continued

Advocacy Center Program

The Advocacy Center is a facility that offers essential supportive activities, resources and the community that survivors of domestic violence can utilize while in the Organization's programs and after they leave. The space contains computers for participant internet needs. There are rooms for counseling, community partner engagement, wellness activities, support groups, youth activities, youth advocacy, safety planning and developmentally appropriate activities.

Volunteer Program

Raphael House of Portland volunteers are indispensable to the success of the Organization's programs. The volunteer program oversees and coordinates individual volunteers who donate a substantial amount of time and perform a variety of tasks that support the Organization's program services, fundraising and administrative duties.

Community Programs:

Prevention Education

Raphael House of Portland maintains a commitment to education and raising awareness in the community about the effects of domestic violence. Through outreach and educational programs, the Organization educates high school and middle school students on the warning signs of intimate partner violence as well as their rights within all relationships. The Organization is also committed to raising awareness about domestic violence in the workplace so businesses and employees know their rights if they or someone they know is experiencing intimate partner violence.

Recovery Mentor

The first of its kind serving survivors accessing any domestic violence program in Multnomah County, this survivor-led, peer support programming serves survivors who are struggling with addiction as they transition from violence into safety. Our Domestic Violence Recovery Mentors offer lived experience in both recovery and as survivors themselves, and are uniquely able to provide a wide range of specialized supports.

Healthcare Advocacy

In collaboration with Volunteers of America Oregon, Home Free and OHSU Richmond Family Clinic, Raphael of Portland provides a confidential advocate for patients accessing the clinic. This new program provides resources, safety planning and advocacy for survivors in the safety of their doctors office.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction and released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents included in investments are considered investments.

Investments

Investments are carried at fair value. Donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of the outstanding balances, it has concluded that possible future losses on balances outstanding at year-end will be immaterial.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions and Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Management provides for probable uncollectible amounts for pledges receivable through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and pledges receivable.

Property and Equipment

Acquisitions of property and equipment of \$1,000 or greater are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 15 years for equipment and 40 years for buildings.

Revenue Recognition

Government grants and contracts are recognized as revenue when the services are performed.

Special event fees and sponsorship revenues are recognized in the period the event is held. Sponsorships received in advance are reflected as deferred revenue.

Donated Facilities, Materials and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A summary of donated facilities, materials and services is as follows:

| | 2019 | 2018 |
|--|------------|------------|
| Facilities | \$ - | \$ 1,500 |
| Materials and goods | 130,501 | 175,087 |
| Furniture and fixtures capitalized | 3,000 | - |
| Professional services, included in administration | 5,477 | 3,000 |
| Total donated facilities, materials and services | \$ 138,978 | \$ 179,587 |

In addition, many individuals volunteer a substantial amount of time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations and administrative duties. These volunteer services, representing approximately \$53,900 for 2019 and \$46,300 for 2018, are not recognized as contributions in the financial statements since the recognition criteria were not met.

Income Tax Status

The Organization is a nonprofit corporation exempt from federal and state income - tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and related costs, supplies, office expense, insurance, and other, which are allocated on the basis of time and effort.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2018

The financial information as of June 30, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented, except Note 3 on available resources and liquidity.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated all subsequent events through November 26, 2019, the date the financial statements were available to be issued.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

3. AVAILABLE RESOURCES AND LIQUIDITY

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. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at June 30, 2019:

| | Available for General <u>Expenditure</u> | Board Designated | With Donor Restrictions | Total Financial Assets |
|---|--|---------------------|----------------------------|------------------------------|
| Cash and cash equivalents | \$ 125,378 | \$ - | \$ 43,576 | \$ 168,954 |
| Investments | 807,459 | - | - | 807,459 |
| Accounts and pledges receivable, net | 423,750 | - | - | 423,750 |
| Endowment investments | - | 78,786 | 105,614 | 184,400 |
| Total financial assets | <u>\$ 1,356,587</u> | <u>\$ 78,786</u> | <u>\$ 149,190</u> | <u>\$ 1,584,563</u> |

The board-designated endowment fund may be spent with approval of the Board of Directors. See Note 9. See Note 7 for information about the Organization's line of credit.

4. INVESTMENTS

Investments consist of the following at June 30, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Cash equivalents | \$ 156,486 | \$ 188,924 |
| Mutual funds - equity | 199,736 | 172,746 |
| Mutual funds - fixed income | 532,244 | 486,944 |
| Mutual funds - international equity | 64,300 | 52,765 |
| Beneficial interest in assets held by OCF (Note 9) | <u>39,093</u> | <u>36,785</u> |
| Total investments | <u>\$ 991,859</u> | <u>\$ 938,164</u> |
| Current | \$ 807,459 | \$ 764,313 |
| Endowment (Note 12) | <u>184,400</u> | <u>173,851</u> |
| | <u>\$ 991,859</u> | <u>\$ 938,164</u> |

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

5. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable are unsecured and consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|------------|------------|
| Pledges receivable: | | |
| Within one year | \$ 65,683 | \$ 91,714 |
| Within two to five years | - | 15,000 |
| Less allowance for uncollectible accounts | (9,200) | (9,200) |
| Pledges receivable, net | 56,483 | 97,514 |
| Government contracts and grants: | | |
| Multnomah County | 261,975 | 187,032 |
| State of Oregon | 81,792 | 56,038 |
| Portland Public Schools | 23,500 | - |
| Total government contracts and grants | 367,267 | 243,070 |
| Accounts and pledges receivable, net | \$ 423,750 | \$ 340,584 |
| Current | \$ 423,750 | \$ 325,584 |
| Noncurrent | - | 15,000 |
| | \$ 423,750 | \$ 340,584 |

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| Land | \$ 119,300 | \$ 119,300 |
| Buildings | 3,574,259 | 3,574,259 |
| Vehicles | 43,287 | 43,287 |
| Furniture and fixtures | 205,993 | 200,747 |
| Website | 10,717 | 2,000 |
| Total property and equipment | 3,953,556 | 3,939,593 |
| Less accumulated depreciation | 1,740,119 | 1,622,921 |
| Net property and equipment | \$ 2,213,437 | \$ 2,316,672 |

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

7. LINE OF CREDIT

The Organization holds a \$50,000 unsecured line of credit with a bank. Interest is payable monthly on outstanding advances at an adjustable rate corresponding to the Prime Rate plus 1.75%. There were no advances on the line at June 30, 2019. Advances outstanding at June 30, 2018 totaled \$40,000.

8. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

9. BOARD-DESIGNATED NET ASSETS

The Organization has a board-designated endowment fund which was established in the name of Morgan Dufault. Endowment funds are available for youth programs. Balances total \$39,693 and \$37,468 at June 30, 2019 and 2018, respectively.

The Organization also has a board-designated endowment fund with The Oregon Community Foundation (OCF) established as the Raphael House of Portland Endowment Fund of OCF. The Organization's fund is pooled with other assets managed by OCF which are invested in a mixture of equities, fixed-income instruments, alternative investment classes, and cash, which are reflected at fair value. Under the terms of the agreement, variance power has been granted to OCF, however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Also under the terms of the agreement, OCF shall distribute not less than annually, a percentage of the fair value of the fund as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. The beneficial interest in assets held total \$39,093 and \$36,785 at June 30, 2019 and 2018, respectively.

OCF may make additional distributions from the fund to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization.

See Note 12, Endowment.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|------------|------------|
| Net assets with expiring donor restrictions: | | |
| Endowment earnings (Note 12) | \$ 5,614 | \$ (402) |
| Shelter to Stability | 39,797 | 76,063 |
| Financial education | 197 | 4,557 |
| Other | 3,582 | 7,689 |
| Total net assets with expiring donor restrictions | 49,190 | 87,907 |
| Net assets with perpetual donor restrictions: | | |
| Endowment (Note 12) | 100,000 | 100,000 |
| Total net assets with donor restrictions | \$ 149,190 | \$ 187,907 |

11. RETIREMENT PLAN

The Organization has a SIMPLE IRA plan (the Plan) that is available to all employees. Participants are eligible for an employer match of their contribution up to 3% of their gross wages. The percentage is established annually by the Board of Directors. The matching percentage established by the Board was 3% and 2% in calendar years 2019 and 2018, respectively. Employees may contribute the maximum amount allowed by IRS regulations. For the years ended June 30, 2019 and 2018, the Organization's contributions to the Plan totaled approximately \$33,300 and \$29,100, respectively.

12. ENDOWMENT

The Organization's endowment consists of funds established for long-term support of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or session designations.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

12. ENDOWMENT, Continued

Interpretation of Relevant Law

The Board of Directors of the Organization have interpreted Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) 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. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment funds
- (2) The purposes of the Organization and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment net asset composition by fund type is as follows as of June 30, 2019 and 2018:

| | Without Donor Restrictions | <u>With Donor</u> | | |
|----------------------|----------------------------------|--------------------------|---------------------------|-------------------|
| | | Expiring Restrictions | Perpetual Restrictions | Total |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| June 30, 2019 | | | | |
| Donor-restricted | \$ - | \$ 5,614 | \$ 100,000 | \$ 105,614 |
| Board-designated | 78,786 | - | - | 78,786 |
| Endowment total | <u>\$ 78,786</u> | <u>\$ 5,614</u> | <u>\$ 100,000</u> | <u>\$ 184,400</u> |
| June 30, 2018 | | | | |
| Donor-restricted | \$ - | \$ (402) | \$ 100,000 | \$ 99,598 |
| Board-designated | 74,253 | - | - | 74,253 |
| Endowment total | <u>\$ 74,253</u> | <u>\$ (402)</u> | <u>\$ 100,000</u> | <u>\$ 173,851</u> |

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

12. ENDOWMENT, Continued

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

| | Without | With Donor | | Total |
|----------------------------|------------------|-----------------|-------------------|-------------------|
| | Donor | Expiring | Perpetual | |
| Endowment net assets: | Restrictions | Restrictions | Restrictions | |
| Balance, June 30, 2017 | \$ 71,398 | \$ - | \$ 100,000 | \$ 171,398 |
| Investment return | 2,855 | (402) | - | 2,453 |
| Balance, June 30, 2018 | 74,253 | (402) | 100,000 | 173,851 |
| Investment return | 4,533 | 6,016 | - | 10,549 |
| Balance, December 31, 2019 | <u>\$ 78,786</u> | <u>\$ 5,614</u> | <u>\$ 100,000</u> | <u>\$ 184,400</u> |

Reclassification to 2018

As a result of the change in accounting principle, net assets without donor restrictions increased by \$402 and net assets with donor restrictions decreased by the same amount resulting from reclassifications of underwater endowment funds as required under ASU 2016-14.

Fund with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or the Act requires the Organizations to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in net assets with expiring restrictions and were \$402 at June 30, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of perpetually restricted endowment funds. There were no deficiencies at June 30, 2019.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization has adopted an asset allocation strategy that results in an acceptable risk and return profile while also providing and acceptable probability of achieving the investment objectives over the long-term.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

12. ENDOWMENT, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has not yet established a spending policy and will do so once asset balances reach a sufficient level.

13. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 are as follows:

| | Fair Value | Level 1 | Level 3 |
|---|-------------------|-------------------|------------------|
| June 30, 2019 | | | |
| Mutual funds - equity | \$ 199,736 | \$ 199,736 | \$ - |
| Mutual funds - fixed income | 532,244 | 532,244 | - |
| Mutual funds - international equity | 64,300 | 64,300 | - |
| Beneficial interest in assets held by OCF | 39,093 | - | 39,093 |
| Total fair value investments | <u>\$ 835,373</u> | <u>\$ 796,280</u> | <u>\$ 39,093</u> |
| June 30, 2018 | | | |
| Mutual funds - equity | \$ 172,746 | \$ 172,746 | \$ - |
| Mutual funds - fixed income | 486,944 | 486,944 | - |
| Mutual funds - international equity | 52,765 | 52,765 | - |
| Beneficial interest in assets held by OCF | 36,785 | - | 36,785 |
| Total fair value investments | <u>\$ 749,240</u> | <u>\$ 712,455</u> | <u>\$ 36,785</u> |

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

13. FAIR VALUE MEASUREMENTS, Continued

Fair values for fixed income, equity securities and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Investments held at OCF in pooled funds are valued at the net asset value per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach. Quoted market prices are not available for certain alternative investment classes, such as limited partnership investments. The valuations for limited partnership investments are based on the net asset value of OCF's ownership interest in the partners' capital which includes assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by OCF.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include:

Beneficial interest in assets held by OCF:

| | 2019 | 2018 |
|--|-----------|-----------|
| Beginning of year | \$ 36,785 | \$ 33,720 |
| Change in value (reported in net assets without donor restrictions) | 2,308 | 3,065 |
| Ending balance | \$ 39,093 | \$ 36,785 |

14. FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash balances, investments, pledges and accounts receivable. To limit credit risk, the Organization places its cash and cash equivalents with high credit quality financial institutions. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed insured limits.

Investment securities, including investments held by OCF, are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

15. RELATED PARTY TRANSACTION

During the year ended June 30, 2018, the Organization paid legal fees of approximately \$11,400 to a company where a board member is employed.