

RAPHAEL HOUSE OF PORTLAND

Audited Financial Statements

For the Year Ended June 30, 2020



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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
November 23, 2020

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 817,999	\$ 168,954
Investments	840,342	807,459
Accounts and pledges receivable, net	384,813	423,750
Prepaid expenses	15,857	43,550
Total current assets	2,059,011	1,443,713
Pledges receivable	20,000	-
Endowment investments	186,401	184,400
Property and equipment, net	2,115,415	2,213,437
TOTAL ASSETS	\$ 4,380,827	\$ 3,841,550
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 134,431	\$ 101,496
Deposits	1,831	2,564
Deferred revenue	-	6,500
Refundable advance - Paycheck Protection Program	314,400	-
Total current liabilities	450,662	110,560
Net assets:		
Without donor restrictions:		
Undesignated	1,550,148	1,289,577
Board-designated	79,179	78,786
Net property and equipment	2,115,415	2,213,437
Total without donor restrictions	3,744,742	3,581,800
With donor restrictions	185,423	149,190
Total net assets	3,930,165	3,730,990
TOTAL LIABILITIES AND NET ASSETS	\$ 4,380,827	\$ 3,841,550

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020			
	Without Donor Restrictions	With Donor Restrictions	Total	2019 Total
Support and revenue:				
Contributions	\$ 897,162	\$ 241,814	\$ 1,138,976	\$ 804,219
Government grants and contracts	1,407,409	-	1,407,409	1,444,211
Donated assets, materials and services	191,353	-	191,353	138,978
Special events, net direct costs of \$81,283 in 2020 and \$81,928 in 2019	283,442	-	283,442	229,326
Investment income	38,678	1,608	40,286	58,878
Other income	6,355	-	6,355	9,777
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	207,189	(207,189)	-	-
Total support and revenue	3,031,588	36,233	3,067,821	2,685,389
Expenses:				
Program services	2,266,564	-	2,266,564	2,044,254
Administration	200,299	-	200,299	231,452
Fundraising	401,783	-	401,783	359,581
Total expenses	2,868,646	-	2,868,646	2,635,287
Change in net assets	162,942	36,233	199,175	50,102
Net assets:				
Beginning of year	3,581,800	149,190	3,730,990	3,680,888
End of year	\$ 3,744,742	\$ 185,423	\$ 3,930,165	\$ 3,730,990

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
(With comparative totals for 2019)

	Program Services									2020 Total	2019 Total
	Emergency Services	Housing Programs/ Support	Youth Program	Advocacy Center Program	Volunteer Program	Community Programs	Total Program Services	Admin- istration	Fund- raising		
Salaries	\$ 415,722	\$ 122,037	\$ 127,825	\$ 121,802	\$ 44,966	\$ 281,404	\$ 1,113,756	\$ 269,573	\$ 235,271	\$ 1,618,600	\$ 1,471,419
Payroll taxes and employee benefits	90,062	25,522	30,778	25,412	6,136	56,146	234,056	42,430	48,315	324,801	284,600
Professional fees	540	-	-	-	-	-	540	37,153	18,138	55,831	50,089
Consulting and contract services	12,548	-	-	-	-	-	12,548	-	-	12,548	11,792
Client services and assistance	15,011	264,746	2,076	25,630	-	18,307	325,770	-	-	325,770	315,646
Supplies	161,602	1,035	41,153	1,166	228	808	205,992	3,955	1,044	210,991	156,761
Occupancy	46,387	-	-	1,765	-	-	48,152	158	1,160	49,470	52,509
Office expense	15,011	2,635	525	5,405	799	6,456	30,831	18,161	5,000	53,992	62,160
Travel	1,321	1,864	664	673	-	4,675	9,197	405	520	10,122	11,446
Training	1,328	338	308	1,440	300	8,905	12,619	655	1,965	15,239	11,471
Insurance	24,337	1,921	4,456	1,663	2,095	4,458	38,930	7,542	2,126	48,598	48,127
Fundraising and media relations	-	-	-	-	-	-	-	-	98,171	98,171	103,785
Other operating costs	1,658	-	29	14	-	-	1,701	5,030	5,837	12,568	20,212
Depreciation	106,974	-	183	486	-	835	108,478	4,383	367	113,228	117,198
Expense allocation	(80,798)	49,930	9,453	52,642	24,778	67,989	123,994	(189,146)	65,152	-	-
Total operating expenses	811,703	470,028	217,450	238,098	79,302	449,983	2,266,564	200,299	483,066	2,949,929	2,717,215
Less expenses netted with revenue on the statement of activities:											
Direct cost of special events	-	-	-	-	-	-	-	-	(81,283)	(81,283)	(81,928)
Total expenses	\$ 811,703	\$ 470,028	\$ 217,450	\$ 238,098	\$ 79,302	\$ 449,983	\$ 2,266,564	\$ 200,299	\$ 401,783	\$ 2,868,646	\$ 2,635,287

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 199,175	\$ 50,102
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	113,228	117,198
Less donated property and equipment	-	3,000
Change in value of investments	(15,429)	(34,162)
(Increase) decrease in:		
Accounts and pledges receivable	18,937	(83,166)
Prepaid expenses	27,693	(11,821)
Increase (decrease) in:		
Accounts payable and accrued expenses	32,935	33,275
Deposits	(733)	(15,021)
Refundable advance - Paycheck Protection Program	314,400	-
Deferred revenue	<u>(6,500)</u>	<u>(15,000)</u>
Net cash flows from operating activities	<u>683,706</u>	<u>44,405</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(15,206)	(16,963)
Additions to investments	(365,310)	(94,102)
Proceeds from the sale of investments	<u>345,855</u>	<u>74,569</u>
Net cash flows from investing activities	<u>(34,661)</u>	<u>(36,496)</u>
 Cash flows from financing activities:		
Proceeds (repayments) from line of credit	<u>-</u>	<u>(40,000)</u>
Net cash flows from financing activities	<u>-</u>	<u>(40,000)</u>
 Net change in cash and cash equivalents	649,045	(32,091)
 Cash and cash equivalents - beginning of year	<u>168,954</u>	<u>201,045</u>
 Cash and cash equivalents - end of year	<u><u>\$ 817,999</u></u>	<u><u>\$ 168,954</u></u>

See notes to financial statements.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 42% of total support and revenue for the year ended June 30, 2020 (two agencies represent 52% of total support in 2019).

The Organization's programs are as follows:

Emergency Services

During 2020, 94 survivors stay at the Organization's emergency shelter an average of five months. It is confidentially located and can house up to 38 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. 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, 2020

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, 2020

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.

Pledges Receivable

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.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Refundable Advance

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Government Grants and Contracts: A portion of the Organization's revenue is derived from cost-reimbursable grants and contracts, which are conditional upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately \$534,000 for the period through September 30, 2022 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. The Organization has not received advances on these grants.

RAPHAEL HOUSE OF PORTLAND
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Sponsorships are recorded as revenue at the time of commitment unless commensurate value is included as part of the agreement. The portion of sponsorship revenue that relates to commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Donated Assets, 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.

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

	2020	2019
Materials and goods included in program services	\$ 187,101	\$ 130,501
Furniture and fixtures capitalized	-	3,000
Professional services, included in administration	4,252	5,477
Total donated assets, materials and services	<u>\$ 191,353</u>	<u>\$ 138,978</u>

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 \$45,800 and \$53,900 for 2020 and 2019, respectively, 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. No provision for income taxes is made in the accompanying financial statements, as the Organization has no 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.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 2019

The financial information as of June 30, 2019 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 implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis.

Subsequent Events

The Organization has evaluated all subsequent events through November 23, 2020, the date the financial statements were available to be issued.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 817,999	\$ 168,954
Investments	840,342	807,459
Accounts and pledges receivable, net	<u>404,813</u>	<u>423,750</u>
	2,063,154	1,400,163
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>78,201</u>	<u>43,576</u>
Financial assets available for general expenditure	<u>\$ 1,984,953</u>	<u>\$ 1,356,587</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 173,809	\$ 156,486
Mutual funds - equity	179,572	199,736
Mutual funds - fixed income	576,282	532,244
Mutual funds - international equity	58,189	64,300
Beneficial interest in assets held		
by OCF (Note 9)	<u>38,891</u>	<u>39,093</u>
Total investments	<u>\$ 1,026,743</u>	<u>\$ 991,859</u>
Current	\$ 840,342	\$ 807,459
Endowment (Note 12)	<u>186,401</u>	<u>184,400</u>
	<u>\$ 1,026,743</u>	<u>\$ 991,859</u>

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

5. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable are unsecured and consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Pledges receivable:		
Within one year	\$ 106,250	\$ 65,683
Within two to five years	20,000	-
Less allowance for uncollectible accounts	<u>(9,200)</u>	<u>(9,200)</u>
Pledges receivable, net	<u>117,050</u>	<u>56,483</u>
Government contracts and grants:		
Multnomah County	211,323	261,975
State of Oregon	62,282	81,792
Other	<u>14,158</u>	<u>23,500</u>
Total government contracts and grants	<u>287,763</u>	<u>367,267</u>
Accounts and pledges receivable, net	<u>\$ 404,813</u>	<u>\$ 423,750</u>
Current	\$ 384,813	\$ 423,750
Noncurrent	<u>20,000</u>	<u>-</u>
	<u>\$ 404,813</u>	<u>\$ 423,750</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 119,300	\$ 119,300
Buildings	3,574,259	3,574,259
Vehicles	43,287	43,287
Furniture and fixtures	221,199	205,993
Website	<u>10,717</u>	<u>10,717</u>
Total property and equipment	3,968,762	3,953,556
Less accumulated depreciation	<u>1,853,347</u>	<u>1,740,119</u>
Net property and equipment	<u>\$ 2,115,415</u>	<u>\$ 2,213,437</u>

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

7. LINE OF CREDIT

The Organization holds a \$250,000 (\$50,000 at June 30, 2019) unsecured line of credit with a bank. Interest is payable monthly on outstanding advances at an adjustable rate corresponding to the Prime Rate plus 3.6% (Prime Rate plus 1.75% at June 30, 2019). The line matures March 2021. There were no advances on the line at June 30, 2020 and 2019.

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's board-designated endowment funds totaling \$79,179 and \$78,786 June 30, 2020 and 2019, respectively, consist of the following funds:

The Organization established a board-designated endowment fund in the name of Morgan Dufault. Endowment funds are available for youth programs. Balances total \$40,288 and \$39,693 at June 30, 2020 and 2019, 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 \$38,891 and \$39,093 at June 30, 2020 and 2019, 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, 2020

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Net assets with expiring donor restrictions:		
Endowment earnings (Note 12)	\$ 7,222	\$ 5,614
Shelter to Stability	7,801	39,797
Emergency Shelter	11,790	-
COVID-19 Emergency Housing	32,397	-
Other purpose restrictions	1,213	3,779
Time restrictions	25,000	-
Total net assets with expiring donor restrictions	85,423	49,190
Net assets with perpetual donor restrictions:		
Endowment (Note 12)	100,000	100,000
Total net assets with donor restrictions	\$ 185,423	\$ 149,190

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% in calendar years 2020 and 2019. Prior to January 1, 2019, the employer contribution was 2%. Employees may contribute the maximum amount allowed by IRS regulations. For the years ended June 30, 2020 and 2019, the Organization's contributions to the Plan totaled approximately \$42,900 and \$33,300, 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, 2020

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, 2020 and 2019:

	Without Donor Restrictions	<u>With Donor</u>		
		Expiring Restrictions	Perpetual Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
June 30, 2020				
Donor-restricted	\$ -	\$ 7,222	\$ 100,000	\$ 107,222
Board-designated	79,179	-	-	79,179
Endowment total	<u>\$ 79,179</u>	<u>\$ 7,222</u>	<u>\$ 100,000</u>	<u>\$ 186,401</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>

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

12. ENDOWMENT, Continued

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor		Total
		Expiring Restrictions	Perpetual Restrictions	
Endowment net assets:				
Balance, June 30, 2018	\$ 74,253	\$ (402)	\$ 100,000	\$ 173,851
Investment return	4,533	6,016	-	10,549
Balance, June 30, 2019	78,786	5,614	100,000	184,400
Investment return	393	1,608	-	2,001
Balance, June 30, 2020	\$ 79,179	\$ 7,222	\$ 100,000	\$ 186,401

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, 2019. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of perpetually restricted endowment funds. There were no deficiencies at June 30, 2020.

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.

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.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

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, 2020 and 2019 are as follows:

	Fair Value	Level 1	Level 3
June 30, 2020			
Mutual funds - equity	\$ 179,572	\$ 179,572	\$ -
Mutual funds - fixed income	576,282	576,282	-
Mutual funds - international equity	58,189	58,189	-
Beneficial interest in assets held by OCF	38,891	-	38,891
Total fair value investments	<u>\$ 852,934</u>	<u>\$ 814,043</u>	<u>\$ 38,891</u>
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>

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

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:

	2020	2019
Beginning of year	\$ 39,093	\$ 36,785
Change in value (reported in net assets without donor restrictions)	(202)	2,308
Ending balance	\$ 38,891	\$ 39,093

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.

RAPHAEL HOUSE OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

15. RELATED PARTY TRANSACTION

The Organization engaged in business transactions with companies or organizations where board and committee members are employees or owners. Transactions included, insurance, repair services and use of space for meetings. These transactions occurred in the normal course of business or were provided in-kind.

16. UNCERTAINTY

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.