

Raphah Institute

Financial Statements
For the Years Ended June 30, 2021 and 2020

Raphah Institute
Financial Statements
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Independent Auditor's Report

Board of Trustees
Raphah Institute

Report on the Financial Statements

We have audited the accompanying financial statements of Raphah Institute (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 entity'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 entity'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 Raphah Institute as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 21, 2021

Raphah Institute
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 268,759	\$ 224,472
Grants receivable	127,578	26,790
Prepaid expenses	19,029	18,519
Total current assets	<u>415,366</u>	<u>269,781</u>
Fixed assets, net	7,970	3,831
Other assets	8,855	9,158
Total assets	\$ 432,191	\$ 282,770
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,610	\$ 1,979
Deferred revenues	-	25,000
Total current liabilities	<u>5,610</u>	<u>26,979</u>
PPP loan	-	13,200
Total liabilities	<u>5,610</u>	<u>40,179</u>
Net assets		
Without donor restrictions	273,830	111,859
With donor restrictions	152,751	130,732
Total net assets	<u>426,581</u>	<u>242,591</u>
Total liabilities and net assets	\$ 432,191	\$ 282,770

Raphah Institute
Statement of Activities
For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues			
Grants	\$ 995,362	\$ 72,308	\$ 1,067,670
Contributions	27,282	-	27,282
Forgiveness of PPP loan	13,200		13,200
Net assets released from restrictions	<u>50,289</u>	<u>(50,289)</u>	<u>-</u>
Total revenues	1,086,133	22,019	1,108,152
Expenses			
Program services	767,241	-	767,241
Management and general	80,944	-	80,944
Fundraising	<u>75,977</u>	<u>-</u>	<u>75,977</u>
Total expenses	924,162	-	924,162
Change in net assets	161,971	22,019	183,990
Net assets, beginning of year	<u>111,859</u>	<u>130,732</u>	<u>242,591</u>
Net assets, end of year	\$ 273,830	\$ 152,751	\$ 426,581

Raphah Institute
Statement of Activities
For the Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues			
Grants	\$ 190,686	\$ 235,000	\$ 425,686
Contributions	35,251	-	35,251
Net assets released from restrictions	197,050	(197,050)	-
Total revenues	<u>422,987</u>	<u>37,950</u>	<u>460,937</u>
Expenses			
Program services	230,388	-	230,388
Management and general	102,522	-	102,522
Fundraising	71,815	-	71,815
Total expenses	<u>404,725</u>	<u>-</u>	<u>404,725</u>
Change in net assets	18,262	37,950	56,212
Net assets, beginning of year	93,597	92,782	186,379
Net assets, end of year	<u>\$ 111,859</u>	<u>\$ 130,732</u>	<u>\$ 242,591</u>

Raphah Institute
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program services	Management and general	Fundraising	Total
Payroll and related expenses	\$ 650,088	\$ 23,769	\$ 25,030	\$ 698,887
Depreciation and amortization	3,096	100	133	3,329
Dues and subscriptions	-	-	-	-
Insurance	18,858	608	811	20,277
Marketing and promotional	-	8,771	-	8,771
Missions and outreach	6,439	-	-	6,439
Office expenses	30,145	972	1,297	32,414
Professional development	-	31,405	-	31,405
Professional services	9,727	13,600	44,996	68,323
Rent	44,639	1,440	1,920	47,999
Supplies	-	-	-	-
Taxes and fees	-	71	-	71
Travel, meals, and entertainment	4,131	133	178	4,442
Miscellaneous	118	75	1,612	1,805
	\$ 767,241	\$ 80,944	\$ 75,977	\$ 924,162

Raphah Institute
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program services	Management and general	Fundraising	Total
Payroll and related expenses	\$ 187,328	\$ 20,927	\$ 10,844	\$ 219,099
Depreciation and amortization	663	74	38	775
Dues and subscriptions	-	4,048	-	4,048
Insurance	3,388	379	196	3,963
Marketing and promotional	-	26,092	-	26,092
Missions and outreach	100			100
Office expenses	10,108	1,129	585	11,822
Professional development	-	502	-	502
Professional services	8,050	45,693	58,952	112,695
Rent	14,427	1,612	835	16,874
Supplies	96	11	5	112
Taxes and fees	-	312	-	312
Travel, meals, and entertainment	6,228	696	360	7,284
Miscellaneous	-	1,047	-	1,047
	\$ 230,388	\$ 102,522	\$ 71,815	\$ 404,725

Raphah Institute
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 224,472	\$ 192,438
Cash flows from operating activities		
Change in net assets	183,990	56,212
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,329	775
Forgiveness of PPP loan	(13,200)	-
Change in:		
Grants receivable	(100,788)	(26,790)
Prepaid expenses	(510)	(16,133)
Other assets	(2,200)	-
Accounts payable and accrued expenses	3,631	(11,723)
Deferred revenues	(25,000)	25,000
Net cash provided (used) by operating activities	<u>49,252</u>	<u>27,341</u>
Cash flows from investing activities		
Purchases of fixed assets	(4,965)	(999)
Website development costs	<u>-</u>	<u>(7,508)</u>
Net cash provided (used) by investing activities	(4,965)	(8,507)
Cash flows from financing activities		
Proceeds from PPP loan	-	13,200
Net change in cash	<u>44,287</u>	<u>32,034</u>
Cash, end of year	\$ 268,759	\$ 224,472

Raphah Institute
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1. Organization and Nature of Activities

Raphah Institute (the Organization) is a not-for-profit corporation whose mission is to empower people and communities to heal from the effects of trauma by designing and implementing education, advocacy, and treatment systems. It promotes healing and transformation for persons directly involved in youth-related crime through voluntary, person harmed-centered restorative justice. It also establishes safe, confidential, and trauma-informed direct services to support persons directly involved in youth-related crime during and beyond the restorative community conferencing process. Finally, it develops and implements educational outreach to ensure that possible future persons directly involved in youth-related crime, as well as the community, are aware of the option of restorative justice.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Expenditures for maintenance, repairs, and minor renewals are charged to expense in the period incurred. Major renewals and betterments are capitalized. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation, and any resulting gain or loss is recognized.

The assets' estimated useful lives used in computing depreciation are as follows:

Computers	5 years
Furniture and fixtures	7 years
Office equipment	5 years

Other Assets

During the year ended June 30, 2020, the Organization capitalized a portion of the costs incurred to develop a new website in the amount of \$7,508 which is included in other assets on the statements of financial position. As the website was placed in service during July 2020, the Organization did not record any amortization for the year ended June 30, 2020. Amortization expense for the year ended June 30, 2021 was \$2,503.

Raphah Institute
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived.

The Organization has received full forgiveness of the PPP loan and recognized it as income during the year ended June 30, 2021.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Classes of Net Assets

The financial statements report amounts separately by class of net assets:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Grant revenues are recognized when qualified reimbursable expenses are incurred or when services are performed. Grant funds received in advance are recognized as deferred grant revenue until earned. Grant receivables represent amounts due from grants which have been earned but not received. All grant receivables are reported at estimated collectible amounts.

The value of donated goods and services meeting the criteria for recognition are recorded as in-kind contributions, with the corresponding expenses recorded, when the fair values of the goods and services are available. The Organization received a donation of furniture and fixtures in the amount of \$525 for the year ended June 30, 2021.

Raphah Institute
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Concentrations

Concentrations of credit risk with respect to revenues are limited to a few number of donors. For the years ended June 30, 2021 and 2020, 76% was received from three grants and 65% of revenues were received from two grants, respectively.

Allocation of Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefitted. Such allocations are determined by management on an equitable basis. All of the Organization's functional expenses are allocated based on time and effort

Income Taxes

The Organization is exempt from federal and Tennessee state income taxes under Section 501(c)(3) of the Internal Revenue Code. US GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if it has taken an uncertain position that "more likely than not" would not be sustained upon examination by the Internal Revenue Service. The Organization does not believe that there are any uncertain tax positions or that it has any unrelated business income, which would be subject to federal taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

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Notes to Financial Statements
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Note 3. Availability and Liquidity

The following represents the Organization's financial assets at June 30:

	2021	2020
Financial assets		
Cash	\$ 268,759	\$ 224,472
Accounts receivable	<u>127,578</u>	<u>26,790</u>
Total financial assets at year-end	396,337	251,262
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>(152,751)</u>	<u>(130,732)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 243,586	\$ 120,530

The Organization is substantially supported by grants. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures and other obligations become due. Another policy is to forecast future cash flows and maintain sufficient reserves to fund operating needs.

Note 4. Fixed Assets

Fixed assets consist of the following as of June 30:

	2021	2020
Computers	\$ 7,263	\$ 3,993
Furniture and fixtures	525	-
Office equipment	2,058	888
Less: accumulated depreciation	<u>(1,826)</u>	<u>(1,050)</u>
Fixed assets, net	\$ 7,790	\$ 3,831

Note 5. PPP Loan

On May 5, 2020, the Organization received a loan in the amount of \$13,200 in accordance with the PPP section of the CARES Act. On July 18, 2021, the Organization received full forgiveness of the PPP loan and recognized the entire amount as other income in the statement of activities.

Note 6. Lease Commitment

For the year ended June 30, 2021, the Organization had a lease for its office space with base rent payments of \$3,850 month and a refundable security deposit of \$3,850, which is recorded in other assets on the statement of financial position. In May 2020, the Organization's landlord extended a rent credit equivalent to two months of rent.

Total rent expense for the year ended June 30, 2021 and 2020 was \$47,999 and \$16,874, respectively. Future minimum lease payments are \$11,550 for the year ended June 30, 2022.

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Notes to Financial Statements
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Note 7. Net Assets with Donor Restrictions

As of June 30, 2021 and 2020, net assets with donor restrictions in the amount of \$152,751 and \$130,732, respectively, were restricted to use for certain expenses related to specific restorative justice projects.

Note 8. Subsequent Events

Management has evaluated subsequent events through October 21, 2021, the date on which the financial statements were available for issuance.