

Raphah Institute

Financial Statements
For the Years Ended June 30, 2022 and 2021

Raphah Institute
Financial Statements
For the Years Ended June 30, 2022 and 2021

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9 - 12



Independent Auditor's Report

Board of Trustees
Raphah Institute

Opinion

We have audited the financial statements of Raphah Institute (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
February 21, 2023

Raphah Institute
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash	\$ 674,982	\$ 268,759
Grants receivable	11,668	127,578
Promises to give	50,000	-
Prepaid expenses	16,099	19,029
Total current assets	<u>752,749</u>	<u>415,366</u>
Fixed assets, net	9,016	7,970
Promises to give, net of current	50,000	-
Other assets	18,313	8,855
Total assets	\$ 830,078	\$ 432,191
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,691	\$ 5,610
Refundable advance	406,947	-
Total current liabilities	<u>415,638</u>	<u>5,610</u>
Net assets		
Without donor restrictions	322,766	273,830
With donor restrictions	91,674	152,751
Total net assets	<u>414,440</u>	<u>426,581</u>
Total liabilities and net assets	\$ 830,078	\$ 432,191

Raphah Institute
Statement of Activities
For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenues			
Government grants	\$ 451,701	\$ -	\$ 451,701
Foundation grants	237,025	72,500	309,525
Other grants	208,621	1,250	209,871
Contributions	248,266	-	248,266
Other income	4,176	-	4,176
Net assets released from restrictions	<u>134,827</u>	<u>(134,827)</u>	<u>-</u>
Total revenues	1,284,616	(61,077)	1,223,539
Expenses			
Program services	949,933	-	949,933
Management and general	237,010	-	237,010
Fundraising	<u>48,737</u>	<u>-</u>	<u>48,737</u>
Total expenses	1,235,680	-	1,235,680
Change in net assets	48,936	(61,077)	(12,141)
Net assets, beginning of year	<u>273,830</u>	<u>152,751</u>	<u>426,581</u>
Net assets, end of year	\$ 322,766	\$ 91,674	\$ 414,440

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 Functional Expenses
For the Year Ended June 30, 2022

	Program services	Management and general	Fundraising	Total
Depreciation and amortization	\$ 8,707	\$ 432	\$ 113	\$ 9,252
Insurance	25,869	2,253	589	28,711
Marketing and promotional	-	58,932	-	58,932
Miscellaneous	529	1,762	1,961	4,252
Missions and outreach	761	-	-	761
Office expenses	20,878	1,818	475	23,171
Payroll and related expenses	825,009	71,835	18,771	915,615
Professional development	-	59,207	-	59,207
Professional services	9,024	35,529	25,482	70,035
Rent	48,566	4,229	1,105	53,900
Supplies	2,502	218	57	2,777
Taxes and fees	-	91	-	91
Travel, meals, and entertainment	8,088	704	184	8,976
	\$ 949,933	\$ 237,010	\$ 48,737	\$ 1,235,680

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

	Program services	Management and general	Fundraising	Total
Depreciation and amortization	\$ 3,096	\$ 100	\$ 133	\$ 3,329
Insurance	18,858	608	811	20,277
Marketing and promotional	-	8,771	-	8,771
Miscellaneous	118	75	1,612	1,805
Missions and outreach	6,439	-	-	6,439
Office expenses	30,145	972	1,297	32,414
Payroll and related expenses	650,088	23,769	25,030	698,887
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
Taxes and fees	-	71	-	71
Travel, meals, and entertainment	4,131	133	178	4,442
	\$ 767,241	\$ 80,944	\$ 75,977	\$ 924,162

Raphah Institute
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 268,759	\$ 224,472
Cash flows from operating activities		
Change in net assets	(12,141)	183,990
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	9,252	3,329
Forgiveness of PPP loan	-	(13,200)
Change in:		
Grants receivable	115,910	(100,788)
Pledge receivable	(100,000)	-
Prepaid expenses	2,930	(510)
Other assets	(710)	(2,200)
Accounts payable and accrued expenses	3,081	3,631
Deferred revenues	-	(25,000)
Net cash provided (used) by operating activities	<u>18,322</u>	<u>49,252</u>
Cash flows from investing activities		
Purchases of fixed assets	(4,046)	(4,965)
Website development costs	<u>(15,000)</u>	<u>-</u>
Net cash provided (used) by investing activities	(19,046)	(4,965)
Net change in cash	<u>(724)</u>	<u>44,287</u>
Cash, end of year	\$ 268,035	\$ 268,759

Raphah Institute
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

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).

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.

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.

Fixed Assets

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

Raphah Institute
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Other Assets

In 2020, the Organization started to capitalize the costs incurred related to the development of a new website. The website was placed in service during July 2020 and amortization expense for the years ended June 30, 2022 and 2021 was \$6,252 and \$2,503, respectively.

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 treated it as a conditional contribution.

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.

Promises to Give

Unconditional promises to give contributions in the future are recorded as revenue when the promises are received. The promise to give are discounted to their estimated present value. Promises to give are recorded net of an allowance for uncollectible promises. Management assesses the collectability of promises to give on an annual basis.

Concentrations

The Organization maintains its cash in bank deposit accounts at regional financial institutions, which, at times, may exceed the Federal Deposit Insurance Corporation limit. There was \$312,546 exceeding the federally insured limit at June 30, 2022.

Concentrations of credit risk with respect to revenues are limited to a few number of donors. For the years ended June 30, 2022 and 2021, 33% was received from one grant and 76% of revenues were received from two grants, respectively. For the years ended June 30, 2022 and 2021, 90% of account receivable is from one donor and 100% of accounts receivable was from two donors, 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.

Raphah Institute
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

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.

Note 3. Availability and Liquidity

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

	2022	2021
Financial assets		
Cash	\$ 674,982	\$ 268,759
Grants and pledge receivables	<u>111,668</u>	<u>127,578</u>
Total financial assets at year-end	786,650	396,337
Less amounts not available to be used within one year		
Net assets with donor restrictions	(91,674)	(152,751)
Promises to give, noncurrent	<u>(50,000)</u>	<u>-</u>
Total	<u>(141,674)</u>	<u>(152,751)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 644,976	\$ 234,586

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:

	2022	2021
Computers	\$ 11,310	\$ 7,263
Furniture and fixtures	525	525
Office equipment	2,058	2,058
Less: accumulated depreciation	<u>(4,877)</u>	<u>(1,876)</u>
Fixed assets, net	\$ 9,016	\$ 7,970

Raphah Institute
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 5. Promises to Give

Promises to give at June 30, are expected to be collected as follows:

	2022	2021
Amounts due in:		
Less than one year	\$ 50,000	\$ -
One to five years	50,000	-
Less: current portion	(50,000)	-
Promises to give, net of current	<u>\$ 50,000</u>	<u>\$ -</u>

Note 6. 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 7. Lease Commitment

For the year ended June 30, 2022, the Organization had a lease for its office space with various rent terms through the year. Monthly rent payments were \$4,560 at June 30, 2022.

Total rent expense for the year ended June 30, 2022 and 2021 was \$53,900 and \$47,999, respectively. Future minimum lease payments are \$45,600 for the year ended June 30, 2023.

Note 8. Net Assets with Donor Restrictions

As of June 30, 2022 and 2021, net assets with donor restrictions in the amount of \$91,674 and \$152,751, respectively, were restricted to use for certain expenses related to specific restorative justice projects.

Note 9. Subsequent Events

Management has evaluated subsequent events through February 21, 2023, the date on which the financial statements were available for issuance.