Raphah Institute

Financial Statements
For the Years Ended June 30, 2023 and 2022

Raphah Institute

Financial Statements

For the Years Ended June 30, 2023 and 2022

Contents

BLANKENSHIP

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, 2023 and 2022, 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, 2023 and 2022, 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 29, 2024

Raphah Institute

Statements of Financial Position

June 30, 2023 and 2022

		2023		2022
Assets				
Current assets				
Cash	$	493,678	$	674,982
Grants receivable		57,316		11,668
Promises to give, current portion		50,000		50,000
Prepaid expenses		8,297		16,099
Total current assets		609,291		752,749
Promises to give, net of current portion		-		50,000
Fixed assets, net		12,067		9,016
Other assets		12,061		18,313
Total assets	**$**	**633,419**	**$**	**830,078**
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	$	9,194	$	8,691
Refundable advances		195,566		406,947
Total current liabilities		204,760		415,638
Net assets				
Without donor restrictions		418,082		322,766
With donor restrictions		10,577		91,674
Total net assets		428,659		414,440
Total liabilities and net assets	**$**	**633,419**	**$**	**830,078**

Raphah Institute
Statement of Activities
For the Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues			
Contributions of cash and other financial assets			
Government grants	$ 955,883	$ -	$ 955,883
Foundation grants	77,500	20,000	97,500
Other grants	287,665	15,846	303,511
General contributions	47,964	-	47,964
Interest income	427	-	427
Other income	825	-	825
Net assets released from restrictions	116,943	(116,943)	-
Total revenues	1,487,207	(81,097)	1,406,110
Expenses			
Program services	1,122,451	-	1,122,451
Management and general	236,385	-	236,385
Fundraising	33,055	-	33,055
Total expenses	1,391,891	-	1,391,891
Change in net assets	95,316	(81,097)	14,219
Net assets, beginning of year	322,766	91,674	414,440
Net assets, end of year	**$ 418,082**	**$ 10,577**	**$ 428,659**

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

	Without donor restrictions	With donor restrictions	Total
Revenues			
Contributions of cash and other financial assets			
Government grants	$ 451,701	$ -	$ 451,701
Foundation grants	237,025	72,500	309,525
Other grants	208,621	1,250	209,871
General contributions	248,266	-	248,266
Forgiveness of PPP loan	4,176	-	4,176
Net assets released from restrictions	134,827	(134,827)	-
Total revenues	1,284,616	(61,077)	1,223,539
Expenses			
Program services	949,744	-	949,744
Management and general	237,199	-	237,199
Fundraising	48,737	-	48,737
Total expenses	1,235,680	-	1,235,680
Change in net assets	48,936	(61,077)	(12,141)
Net assets, beginning of year	273,830	152,751	426,581
Net assets, end of year	**$ 322,766**	**$ 91,674**	**$ 414,440**

Raphah Institute

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program services	Management and general	Fundraising	Total
Depreciation and amortization	$ 8,102	$ 1,087	$ 178	$ 9,367
Insurance	3,336	447	73	3,856
Marketing and promotional	-	29,182	-	29,182
Missions and outreach	60,441	-	-	60,441
Office expenses	26,135	3,506	573	30,214
Payroll and related expenses	913,507	122,909	22,821	1,059,237
Professional development	-	15,903	-	15,903
Professional services	7,860	49,071	7,148	64,079
Rent	54,993	7,377	1,206	63,576
Supplies	5,872	788	129	6,789
Taxes and fees	-	455	-	455
Travel, meals, and entertainment	42,205	5,660	927	48,792
	$ 1,122,451	**$ 236,385**	**$ 33,055**	**$ 1,391,891**

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	927	2,253	589	3,769
Marketing and promotional	-	59,121	-	59,121
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	849,951	71,835	18,771	940,557
Professional development	-	59,207	-	59,207
Professional services	8,835	35,529	25,482	69,846
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
	$ 949,744	**$ 237,199**	**$ 48,737**	**$ 1,235,680**

Raphah Institute

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash, beginning of year	$ 674,982	$ 268,759
Cash flows from operating activities		
Change in net assets	14,219	(12,141)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	9,367	9,252
Change in:		
Grants receivable	(45,648)	115,910
Promises to give, net of current portion	50,000	(100,000)
Prepaid expenses	7,802	2,930
Other assets	-	(710)
Accounts payable and accrued expenses	503	3,081
Refundable advances	(211,381)	406,947
Net cash provided (used) by operating activities	(175,138)	425,269
Cash flows from investing activities		
Purchases of fixed assets	(6,166)	(4,046)
Website development costs	-	(15,000)
Net cash provided (used) by investing activities	(6,166)	(19,046)
Net change in cash	(181,304)	406,223
Cash, end of year	**$ 493,678**	**$ 674,982**

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

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, 2023 and 2022 was $6,252.

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.

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 $130,392 and $312,546 exceeding the federally insured limit at June 30, 2023 and 2022, respectively.

Concentrations of credit risk with respect to revenues are limited to a few number of donors. For the years ended June 30, 2023 and 2022, 40% of revenues were received from three grants and 33% of revenues were received from one grant, respectively. For the years ended June 30, 2023 and 2022, 100% of accounts receivable was from two donors, and 90% of account receivable was from one donor, 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.

Note 2. **Summary of Significant Accounting Policies**

Leases

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Note 3. **Liquidity and Availability**

The following represents the Organization's financial assets:

	2023	2022
Financial assets		
Cash	$ 493,678	$ 674,982
Grants and promises to give, net	107,316	111,668
Total financial assets at year-end	600,994	786,650
Less amounts not available to be used within one year		
Net assets with donor restrictions	(10,577)	(91,674)
Promises to give, noncurrent	-	(50,000)
Total	(10,577)	(141,674)
Financial assets available to meet cash needs for general expenditures within one year	**$ 589,994**	**$ 644,976**

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. **Promises to Give**

Promises to give are expected to be collected as follows:

	2023	2022
Amounts due in:		
Less than one year	$ 50,000	$ 50,000
One to five years	-	50,000
Less: current portion	(50,000)	(50,000)
Promises to give, net of current portion	**$ -**	**$ 50,000**

Note 5. **Fixed Assets**

Fixed assets consist of the following:

	2023	2022
Computers	$ 17,475	$ 11,310
Furniture and fixtures	525	525
Office equipment	2,058	2,058
Less: accumulated depreciation	(7,991)	(4,877)
Fixed assets, net	**$ 12,067**	**$ 9,016**

Note 7. **Operating Leases**

The Organization leases office space with lease terms that last less than one year. For 2023, the Organization had a lease for its office space with various rent terms through the year. Monthly rent payments were $4,560 for 2023.

Total rent expense for 2023 and 2022 was $63,576 and $53,900, respectively. Future minimum lease payments are $4,560 at June 30, 2023.

Note 8. **Net Assets with Donor Restrictions**

As of June 30, 2023 and 2022, net assets with donor restrictions in the amount of $10,577 and $91,674, 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 29, 2024, the date on which the financial statements were available for issuance.