

2018
Financial Statements
With
Auditor's Letters

RAPHAH INSTITUTE
FINANCIAL STATEMENTS
JUNE 30, 2018

(With Independent Auditor's Report Thereon)

RAPHAH INSTITUTE
FINANCIAL STATEMENTS
JUNE 30, 2018

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Raphah Institute

We have audited the accompanying financial statements of Raphah Institute (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 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, 2018, and the 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.

Patterson Hardee & Ballentine

February 28, 2019

RAPHAH INSTITUTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:

Cash	\$ 15,172	
Prepaid expenses	<u>1,075</u>	
Total current assets		<u>\$ 16,247</u>

Total Assets		<u><u>\$ 16,247</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	<u>\$ 861</u>	
Total current liabilities		<u>\$ 861</u>

Total Liabilities		<u>861</u>
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Net Assets:

Without donor restrictions	<u>15,386</u>	
Total Net Assets		<u>15,386</u>

Total Liabilities and Net Assets		<u><u>\$ 16,247</u></u>
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RAPHAH INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Revenues:			
Grants	\$ 113,184	\$ -	\$ 113,184
Miscellaneous	4,064	-	4,064
Total revenues	<u>117,248</u>	<u>-</u>	<u>117,248</u>
Total public support and revenue	<u>117,248</u>	<u>-</u>	<u>117,248</u>
Expenses:			
Supporting services:			
Management and general	<u>101,917</u>	<u>-</u>	<u>101,917</u>
Total support services	<u>101,917</u>	<u>-</u>	<u>101,917</u>
Total expenses	<u>101,917</u>	<u>-</u>	<u>101,917</u>
Increase in net assets	<u>15,331</u>	<u>-</u>	<u>15,331</u>
Net Assets - beginning of year	<u>55</u>	<u>-</u>	<u>55</u>
Net assets - end of year	<u>\$ 15,386</u>	<u>\$ -</u>	<u>\$ 15,386</u>

See accompanying notes to the financial statements.

RAPHAH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>		
Salaries	\$ -	\$ 55,573	\$ -	\$ 55,573
Professional fees	-	22,784	-	22,784
Occupancy	-	8,954	-	8,954
Bank charges	-	54	-	54
Books and tapes	-	184	-	184
Dues and subscriptions	-	705	-	705
Insurance	-	1,075	-	1,075
Licenses and permits	-	50	-	50
Office supplies	-	1,039	-	1,039
Postage and shipping	-	132	-	132
Seminars and education	-	3,044	-	3,044
Software	-	2,273	-	2,273
Meals	-	146	-	146
Lunch and learn meals	-	828	-	828
Travel, meals, and lodging	-	3,692	-	3,692
Entertainment	-	384	-	384
Facility rental	-	1,000	-	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses by function	<u>\$ -</u>	<u>\$ 101,917</u>	<u>\$ -</u>	<u>\$ 101,917</u>

See accompanying notes to the financial statements.

RAPHAH INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:

Increase in net assets	\$	15,331
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Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Changes in:

Prepaid expenses

\$ (1,075)

Accounts payable

861

(214)

Net cash provided by operating activities

15,117

Net increase in cash

15,117

Cash - beginning of year

55

Cash - end of year

\$ 15,172

See accompanying notes to the financial statements.

RAPHAH INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies

Description of Business and Program Services

In these notes, the terms "Organization", "we", "us" or "our" mean Raphah Institute. We empower people and communities to heal from the effects of trauma by designing and implementing education, advocacy and treatment systems. Whether you are a philanthropist, a volunteer or employee, or are in need of our direct services, by partnering with us, you can change the future of an individual, family, even an entire community...for good.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

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 directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations.

Revenue Concentration

We receive approximately 85% of our total revenue from the First Tennessee Foundation.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2018, we had no cash equivalents.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

RAPHAH INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The fair values of assets and liabilities approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have early adopted ASU 2016-14, during the year ended June 30, 2018. The year ended June 30, 2018 was the year in which we commenced operations, therefore retrospective application does not apply.

NOTE 2 – Nature of Activities – Planned Principal Operations Have Not Commenced

Raphah Institute is an organization whose planned principal operation is to provide a restorative justice diversion program. This involves acquiring and training a staff, recruiting partners and teaching them how to work with clients who have had trouble with the law. These activities are subject to certain risks and uncertainties, including being unable to acquire an effectively trained staff as well as the funding necessary to fulfill these activities. These risks are mitigated through the acquisition of grant funding and contributions.

NOTE 3 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets at year-end:	
Cash	\$ 15,172

In the next fiscal year, we plan to receive significant contributions restricted by donors, and consider contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Further we have already entered into contract agreements for two large grants in the next fiscal year. We manage our liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. We forecast our future cash flows and monitor our liquidity quarterly, and monitor our reserves annually.

RAPHAH INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - Accounts Receivable

Bad debts are recognized using the allowance method based on our evaluation of outstanding accounts. At June 30, 2018, no allowance was considered necessary.

At June 30, 2018, we had no accounts receivable.

NOTE 5 – Prepaid Expenses

Prepaid expenses consist of an insurance premium for liability coverage. The amount of prepaid expenses recorded at June 30, 2018, is \$1,075.

NOTE 6 - Leases

We have one lease agreement with Paro South, LLC, for our office space with monthly payments of \$1,890. This lease began with a six and a half month term which commenced May 10, 2018, and ends on November 30, 2018. As of December 1, 2018, we have entered into a new lease with Paro South, LLC for our office space with monthly payments of \$1,200. This lease matures on November 30, 2019, see NOTE 9.

The following is a schedule of minimum lease payments as of June 30, 2018.

<u>Year Ending</u>	
<u>June 30,</u>	
2019	\$ 17,850
2020	<u>6,000</u>
Total	<u>\$ 23,850</u>

NOTE 7 - Concentrations of Credit Risk

We maintain our cash balance in a single account at Bank of America. Amounts at this institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At June 30, 2018, we did not have any cash that was uninsured.

NOTE 8 – Related Parties

At June 30, 2018, we had a Board Member who was related to our CEO.

NOTE 9 - Subsequent Events

We have evaluated events subsequent to June 30, 2018. As of February 28, 2019, the date that the financial statements were available to be issued, other than the following matter, no events subsequent to the statement of financial position date are considered necessary to be included in the financial statements for the year ended June 30, 2018.

As of December 1, 2018 we have entered into a new lease for our office space, see NOTE 6.