

**RAPHAH INSTITUTE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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**Table of Contents**

	<b>Page</b>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8-12



## 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, 2020 and 2019, 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, 2020 and 2019, 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.

Blankenship CPA Group, PLLC  
Brentwood, Tennessee  
December 8, 2020

**RAPHAH INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

<b>ASSETS</b>		
	<b>2020</b>	<b>2019</b>
Current assets:		
Cash	\$ 224,472	\$ 192,438
Accounts receivable	26,790	-
Prepaid expenses	18,519	2,386
Total current assets	<u>269,781</u>	<u>194,824</u>
Fixed assets, net	3,831	3,608
Other assets	<u>9,158</u>	<u>1,650</u>
Total assets	<u><u>\$ 282,770</u></u>	<u><u>\$ 200,082</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 1,979	\$ 4,067
Accrued expenses	-	9,636
Deferred revenue	25,000	-
Total current liabilities	<u>26,979</u>	<u>13,703</u>
PPP loan	<u>13,200</u>	<u>-</u>
Total liabilities	<u><u>40,179</u></u>	<u><u>13,703</u></u>
Net assets:		
Without donor restrictions	111,859	93,597
With donor restrictions	130,732	92,782
Total net assets	<u>242,591</u>	<u>186,379</u>
Total liabilities and net assets	<u><u>\$ 282,770</u></u>	<u><u>\$ 200,082</u></u>

See accompanying notes to financial statements.

**RAPHAH INSTITUTE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grants	\$ 190,686	\$ 235,000	\$ 425,686
Contributions	35,251	-	35,251
Net assets released from restrictions	197,050	(197,050)	-
Total revenue	<u>422,987</u>	<u>37,950</u>	<u>460,937</u>
Expenses:			
Program services	230,288	-	230,288
Management and general	102,622	-	102,622
Fundraising	71,815	-	71,815
Total expenses	<u>404,725</u>	<u>-</u>	<u>404,725</u>
Increase in net assets	18,262	37,950	56,212
Net assets - beginning of year	<u>93,597</u>	<u>92,782</u>	<u>186,379</u>
Net assets - end of year	<u><u>\$ 111,859</u></u>	<u><u>\$ 130,732</u></u>	<u><u>\$ 242,591</u></u>

See accompanying notes to financial statements.

**RAPHAH INSTITUTE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue:			
Grants	\$ 110,005	\$ 263,425	\$ 373,430
Contributions	32,151	-	32,151
Miscellaneous	5,202	-	5,202
Net assets released from restrictions	<u>170,643</u>	<u>(170,643)</u>	<u>-</u>
Total revenue	<u>318,001</u>	<u>92,782</u>	<u>410,783</u>
Expenses:			
Program services	174,354	-	174,354
Management and general	52,890	-	52,890
Fundraising	<u>12,546</u>	<u>-</u>	<u>12,546</u>
Total expenses	239,790	-	239,790
Increase in net assets	78,211	92,782	170,993
Net assets - beginning of year	<u>15,386</u>	<u>-</u>	<u>15,386</u>
Net assets - end of year	<u><u>\$ 93,597</u></u>	<u><u>\$ 92,782</u></u>	<u><u>\$ 186,379</u></u>

See accompanying notes to financial statements.

**RAPHAH INSTITUTE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Payroll and related expenses	\$ 187,328	\$ 20,927	\$ 10,844	\$ 219,099
Office expenses	10,108	1,129	585	11,822
Marketing and promotional	-	26,092	-	26,092
Rent	14,427	1,612	835	16,874
Taxes and fees	-	312	-	312
Supplies	96	11	5	112
Dues and subscriptions	-	4,048	-	4,048
Insurance	3,388	379	196	3,963
Professional services	8,050	45,693	58,952	112,695
Travel, meals, and entertainment	6,228	696	360	7,284
Professional development	-	502	-	502
Depreciation	663	74	38	775
Miscellaneous	-	1,147	-	1,147
Total expenses	<u>\$ 230,288</u>	<u>\$ 102,622</u>	<u>\$ 71,815</u>	<u>\$ 404,725</u>

See accompanying notes to financial statements.

**RAPHAH INSTITUTE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Payroll and related expenses	\$ 115,219	\$ 19,121	\$ 11,364	\$ 145,704
Office expenses	1,812	479	-	2,291
Rent	13,125	3,472	-	16,597
Taxes and fees	-	450	-	450
Supplies	147	39	-	186
Dues and subscriptions	-	1,128	1,182	2,310
Insurance	4,461	1,180	-	5,641
Professional services	33,764	23,223	-	56,987
Travel, meals and entertainment	4,749	1,257	-	6,006
Professional development	-	2,484	-	2,484
Depreciation	217	57	-	274
Miscellaneous	860	-	-	860
Total expenses	<u>\$ 174,354</u>	<u>\$ 52,890</u>	<u>\$ 12,546</u>	<u>\$ 239,790</u>

See accompanying notes to financial statements.



**RAPHAH INSTITUTE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Change in net assets	\$ 56,212	\$ 170,993
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	775	274
Change in operating assets and liabilities:		
Accounts receivable	(26,790)	-
Prepaid expenses	(16,133)	(1,311)
Other assets	-	(1,650)
Accounts payable	(2,087)	3,206
Accrued expenses	(9,636)	9,636
Deferred revenue	25,000	-
Net cash provided by operating activities	<u>27,341</u>	<u>181,148</u>
Cash flows from investing activities:		
Purchases of fixed assets	(999)	(3,882)
Website development costs	(7,508)	-
Net cash used in investing activities	<u>(8,507)</u>	<u>(3,882)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	13,200	-
Net cash provided by financing activities	<u>13,200</u>	<u>-</u>
Net increase in cash	32,034	177,266
Cash - beginning of year	<u>192,438</u>	<u>15,172</u>
Cash - end of year	<u><u>\$ 224,472</u></u>	<u><u>192,438</u></u>

See accompanying notes to financial statements.

**RAPHAH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**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:

Office equipment	5 years
Computers	5 years

*Other Assets*

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.

**RAPHAH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 elected to treat the PPP loan as debt.

*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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue 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*

On July 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU* (collectively, ASC 606), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The Organization performed an analysis of revenue streams and transitions to determine in-scope applicability. The adoption of ASC 606 did not materially impact the financial statements and related disclosures.

On July 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU resulted in the treatment of most governmental grants as donor-restricted conditional contributions rather than exchange transactions. The new standard also clarified the criteria for evaluating whether contributions are unconditional or conditional. The adoption of this ASU did not materially impact the financial statements and related disclosures.

**RAPHAH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Revenue Recognition (Continued)*

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 specialized services from a national victim advocate in the amount of \$8,125 for the year ended June 30, 2019.

*Concentrations*

Concentrations of credit risk with respect to revenue are limited to a few number of donors. For the years ended June 30, 2020 and 2019, 65% and 67% of revenue, respectively, was received from two grants.

*Allocation of Functional Expenses*

The costs of providing program and other activities 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.

*Subsequent events*

Management has evaluated subsequent events through December 8, 2020, the date the financial statements were available to be issued.

**RAPHAH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

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

	2020	2019
Financial assets:		
Cash	\$ 224,472	\$ 192,438
Accounts receivable	26,790	-
Less amounts not available to be used within one year:		
Restrictions by donor	(130,732)	(92,782)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 120,530</u>	<u>\$ 99,656</u>

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:

	2020	2019
Office equipment	\$ 888	\$ 888
Computers	3,993	2,994
	4,881	3,882
Less accumulated depreciation	(1,050)	(274)
Fixed assets, net	<u>\$ 3,831</u>	<u>\$ 3,608</u>

**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. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of the report date, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended \$13,200 on potential qualifying costs as defined by the legislation. The unsecured note bears interest at the rate of 1.00% and matures on May 5, 2022. As long as the Organization submits its loan forgiveness application within 10 months of the covered period, the Organization will not be required to make any payments on the loan until the forgiveness amount is remitted to the lender by the US Small Business Administration (SBA). If the loan is fully forgiven, the Organization will not be responsible for any payments.

**RAPHAH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

**NOTE 5 – PPP LOAN (CONTINUED)**

The Organization has elected to treat the PPP loan as debt and presented it in notes payable in the financial statements. The Organization has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial. No amounts are due in the next 12 months.

**NOTE 6 – LEASE COMMITMENT**

For the year ended June 30, 2020, the Organization had a lease for its office space with base rent payments of \$1,650 per month and a refundable security deposit of \$1,650, which is recorded in Other Assets on the Statement of Financial Position. This lease ends on June 30, 2021. 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, 2020 and 2019 was \$16,874 and \$16,597, respectively. Future minimum lease payments are \$19,800 for the year ended June 31, 2021.

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2020 and 2019, net assets with donor restrictions in the amount of \$155,732 and \$92,782, respectively, were restricted as to use for certain expenses related to specific restorative justice projects.