RAPHAH INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

BLANKENSHIP

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 statement of financial position as of June 30, 2019, 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, 2019, 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
December 3, 2019

RAPHAH INSTITUTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current assets:		
Cash	$	192,438
Prepaid expenses		2,386
Total current assets		194,824
Fixed assets, net		3,608
Other assets		1,650
Total assets	$	200,082

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	$	4,067
Accrued expenses		9,636
Total current liabilities		13,703
Net assets:		
Without donor restrictions		93,597
With donor restrictions		92,782
Total net assets		186,379
Total liabilities and net assets	$	200,082

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

	Program Services	Management and General	Fundraising	Total
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	$ 174,354	$ 52,890	$ 12,546	$ 239,790

See accompanying notes to financial statements.

RAPHAH INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:		
Change in net assets	$	170,993
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		274
Change in operating assets and liabilities:		
Prepaid expenses		(1,311)
Other assets		(1,650)
Accounts payable		3,206
Accrued expenses		9,636
Net cash provided by operating activities		181,148
Cash flows from investing activities:		
Purchases of fixed assets		(3,882)
Net cash used in investing activities		(3,882)
Net increase in cash		177,266
Cash - beginning of year		15,172
Cash - end of year	$	192,438

See accompanying notes to financial statements.

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 (U.S. GAAP).

Cash
Cash is cash held in financial institutions.

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

Use of Estimates
The preparation of the financial statements in conformity with U.S. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Revenue is recognized when earned, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported with restrictions that increase net assets with restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, it is reported without restrictions.

The Organization has grants for which revenue is restricted as to use for certain expenses. Net assets with donor restrictions represent unspent funds awarded under these grants as of June 30, 2019.

Contributed Services
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 year ended June 30, 2019, 67% of revenue 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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal and Tennessee state income taxes under Section 501(c)(3) of the Internal Revenue Code. U.S. 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 3, 2019, the date the financial statements were available to be issued.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2019:

Financial assets:		
Cash	$	192,438
Less amounts not available to be used within one year:		
Restrictions by donor		(92,782)
Financial assets available to meet cash needs for general expenditures within one year	$	99,656

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, 2019:

Office equipment	$	888
Computers		2,994
		3,882
Less accumulated depreciation		(274)
Fixed assets, net	$	3,608

NOTE 5 – LEASE COMMITMENT

For the year ended June 30, 2019, the Organization had a lease for its office space with base rent payments of $1,200 per month, not including amounts for extra building services such as cleaning and printing that are paid based on usage. On July 1, 2019, the Organization moved to a larger space in the same office building with 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.

Total rent expense for the year ended June 30, 2019 was $16,597.

Future minimum lease payments are:

For the Year Ended June 30,		Amount
2020	$	19,800
2021		19,800
Total	$	39,600

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

NOTE 7 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions* Made (ASU 2018-08). ASU 2018-08 clarifies and improves the current guidance about whether a transfer of assets is treated as a contribution or an exchange transaction, and applies to all entities that make or receive contributions. The new standard also clarifies criteria for evaluating whether contributions are conditional or unconditional. The Organization is evaluating the requirements of this guidance and has not yet determined the impact of the adoption to its financial statements.

NOTE 7 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2016, the FASB issued Accounting Standards Update ASU No. 2016-02, *Leases (Topic 845)*, which would require lessees to recognize assets and liabilities for most leases and would change certain aspects of lessor accounting, among other things. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. Companies must use a modified retrospective approach to adopt ASU 2016-02. The Organization is evaluating the requirements of this guidance and has not yet determined the impact of the adoption to its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles for recognizing revenue from contracts with customers. The new accounting guidance, which does not apply to financial instruments, is effective retrospectively for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Organization is evaluating the requirements of this guidance and has not yet determined the impact of the adoption to its financial statements.