

DAVID A TURK, CPA, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rapha House International, Inc.

I have audited the accompanying combined financial statements of Rapha House International, Inc. (a nonprofit organization) and affiliates, which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined 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

My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of American Rehabilitation Ministries-Cambodia, Good Life Foundation, and Good Morning Foundation, affiliates, which statements reflect total assets of \$2,461,142 and \$2,405,188, as of December 31, 2018 and 2017 respectively, and the total support and revenues of \$42,450 and \$16,021 respectively for the years then ended. Those statements were audited by other auditors whose reports have been furnished to me, and my opinion, insofar as it relates to the amounts included for American Rehabilitation Ministries-Cambodia, Good Life Foundation, and Good Morning Foundation is based solely on the reports of the other auditors. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain a 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, based on my audit and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of Rapha House International, Inc. and affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Joplin, Missouri
July 15, 2019

Rapha House International, Inc.

Statement of Financial Position

December 31, 2018

(With Comparative Totals as of December 31, 2017)

	2018	2017
Assets		
Cash and Cash Equivalents, Without Donor Restrictions	\$ 262,062	\$ 419,870
Cash and Cash Equivalents, Donor-Restricted For Programming	336,656	157,347
Cash and Cash Equivalents, Donor-Restricted For Capital Exp.	984,844	481,200
Short-Term Investments	193,000	0
Pledges Receivable, Donor-Restricted For Programming	15,452	0
Accounts Receivable	2,156	2,156
Inventory	66,197	72,215
Refundable Deposit	800	800
Prepaid Rent	45,000	45,000
Land	853,528	496,977
Buildings, net	2,439,289	2,356,819
Equipment and vehicles, net	193,144	161,669
Total Assets	<u>\$ 5,392,128</u>	<u>\$ 4,194,053</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 45,121	30,293
Tax and Payroll Liabilities	4,098	4,717
Line of Credit	480,000	511,700
Total Liabilities	<u>529,219</u>	<u>546,710</u>
Net Assets:		
Net assets without donor restrictions	3,525,957	3,008,796
Net assets with donor restrictions, purpose restricted	1,336,952	638,547
Total Net Assets	<u>4,862,909</u>	<u>3,647,343</u>
Total Liabilities And Net Assets	<u>\$ 5,392,128</u>	<u>4,194,053</u>

See notes to financial statements

Rapha House International, Inc.

Statement of Activities

Year Ended December 31, 2018

(With Comparative Totals for 2017)

	2018		2018 Total	2017
	Without Donor Restrictions	With Donor Restrictions		
Revenue:				
Contributions and Grants	\$3,352,929	\$834,744	\$4,187,673	\$3,198,789
International Income	33,490	15,452	48,942	16,021
Counseling Revenue	0		0	6,824
Other Income	15,527		15,527	24,166
Gross Merchandise Sales	108,335		108,335	136,309
Cost of Goods Sold	(64,926)		(64,926)	(65,444)
Net Assets Released From Restrictions	151,791	(151,791)	0	
Total Revenue	3,597,146	698,405	4,295,551	3,316,665
Expenses:				
Aftercare Program Support	1,374,066		1,374,066	1,243,543
Prevention Program Support	304,618		304,618	290,501
Awareness Trips	139,752		139,752	132,499
Contract Services	197,734		197,734	196,582
US Payroll	467,622		467,622	342,357
Facility, Equipment, and Office	133,073		133,073	127,446
Depreciation	137,925		137,925	134,597
Travel and Representation	195,476		195,476	112,383
Other Expenses	130,849		130,849	94,861
Total Expenses	3,081,115		3,081,115	2,674,769
Change in Net Assets from Operations	516,031	698,405	1,214,436	641,895
Prior Period Adjustment	1,130		1,130	
Change in Net Assets	517,161	698,405	1,215,566	641,895
Net assets:				
Beginning	3,008,796	638,547	3,647,343	3,005,448
Ending	\$3,525,957	\$1,336,952	\$4,862,909	\$3,647,343

See notes to financial statements

Rapha House International, Inc.

Statement of Functional Expenses
 Year Ended December 31, 2018
 (With Comparative Totals for 2017)

	Program Services				Supporting services			2018 Total	2017 Total
	Aftercare	Prevention	Awareness	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Aftercare Program Support	\$ 1,374,066	\$ -	\$ -	\$ 1,374,066	-	-	-	\$ 1,374,066	\$ 1,243,543
Prevention Program Support	0	304,618	0	304,618	-	-	-	304,618	290,501
Awareness Trips	0	0	139,752	139,752	-	-	-	139,752	132,499
Contract Services	174,559	0	0	174,559	13,214	9,961	23,175	197,734	196,582
US Payroll	135,722	42,696	63,943	242,361	128,537	96,724	225,261	467,622	342,357
Facility, Equipment, and Office	30,435	9,782	14,130	54,347	28,280	50,446	78,726	133,073	127,446
Depreciation	75,323	24,211	34,972	134,506	1,709	1,710	3,419	137,925	134,597
Travel and Representation	61,749	20,583	37,714	120,046	37,715	37,715	75,430	195,476	112,383
Other Expenses	31,514	6,548	9,458	47,520	29,012	54,317	83,329	130,849	94,861
	<u>\$ 1,883,368</u>	<u>\$ 408,438</u>	<u>\$ 299,969</u>	<u>\$ 2,591,775</u>	<u>\$ 238,467</u>	<u>\$ 250,873</u>	<u>\$ 489,340</u>	<u>\$ 3,081,115</u>	<u>\$ 2,674,769</u>

See notes to financial statements

Rapha House International, Inc.

Statement of Cash Flows
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$1,215,565	\$641,895
Adjustments to reconcile net revenue to net cash provided by operations:		
Depreciation	109,512	76,012
Net effect of prior period adjustment		58,585
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	0	3,900
Pledges	(15,452)	166,331
Inventory	6,018	(1,711)
Prepaid rent	0	(2,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,210	(116,005)
Net cash from operating activities	<u>1,329,853</u>	<u>827,007</u>
Cash flows from investing activities:		
Land	(356,551)	(80,625)
Building	(194,620)	(394,209)
Equipment and Vehicles	(28,837)	(8,345)
Short Term Investments	(193,000)	0
Net cash from investing activities	<u>(773,008)</u>	<u>(483,179)</u>
Cash flows from financing activities:		
Line of credit	(31,700)	75,179
Net cash from financing activities	<u>(31,700)</u>	<u>75,179</u>
Net increase (decrease) in cash and cash equivalents	525,145	419,007
Cash and cash equivalents:		
Beginning	<u>\$ 1,058,417</u>	<u>\$ 639,410</u>
Ending	<u>\$ 1,583,562</u>	<u>\$ 1,058,417</u>

See notes to financial statements

Rapha House International, Inc.
Notes to Financial Statements
December 31, 2018

NOTE 1: ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

Rapha House International, Inc. is a non-profit corporation whose main purpose is to end the trafficking and exploitation of children through aftercare for survivors, prevention for the vulnerable, and awareness for all. The entity is active in the USA, Haiti and Southeast Asia (see "Affiliates" note on page 7).

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting. All intercompany revenue and expenses have been eliminated.

Inventory

Inventory consists of items produced by the women and children in their programs and vocational training. These items are recorded at cost. The inventory is in Joplin, Missouri, USA.

Property and Equipment

Property and Equipment are recorded at cost or, if donated, market value at date of donation. Depreciation is provided by the straight-line method over the estimated useful lives (5 to 40 years) of the assets with no salvage value.

Income Taxes

Rapha House International, Inc. is exempt from Federal Income Tax under Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made. The organization does file an annual informational "Form 990" with the Internal Revenue Service.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts. For purposes of cash flows, the entity considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Rapha House has adopted the standards codified by the Financial Accounting Standards Board (FASB). Under FASB ASU 2016-14, Rapha House is required to report its net assets

Rapha House International, Inc.
Notes to Financial Statements
December 31, 2018

under two categories: net assets without donor restrictions, and net assets with donor restrictions. These financial statements have been prepared on a going concern basis, which considers the realization of assets and settlement of liabilities in the normal course of business.

Affiliates

Pursuant to FASB ASC 958-810, Rapha House is permitted to present consolidated financial statements with affiliated entities in cases where economic interest and control are present. Accordingly, the financial statements of ARM in Cambodia, GMF in Thailand, GLF in Thailand, and RH Haiti in Haiti are consolidated herein. The individual financial statements of ARM in Cambodia, GMF in Thailand, and GLF in Thailand have been audited by other auditors, and the audits are available upon request.

Public Support and Revenue

Annual campaign contributions are generally available for use without donor restrictions in the related campaign year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions that are satisfied within the current year are recorded as contributions without donor restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. The value of donated technology services has not been determined nor recorded. The value of contributions of general donated services is considered immaterial and has therefore not been valued and recorded.

NOTE 2: ACCOUNTS RECEIVABLE

The receivables represent money owed to ARM in Cambodia in the amount of \$2,156 which represents program beneficiaries and staff.

NOTE 3: DONATED SERVICES

The Entity receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

Rapha House International, Inc.
Notes to Financial Statements
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NOTE 4: LINE OF CREDIT

As of February 6, 2017 a construction line of credit was financed into a 5 year note/line of credit with a fixed interest rate of 5%. The interest is payable monthly with the principal due on February 6, 2022. The note is secured with the collateral of the real estate at 712 S Main St, Joplin, MO 64801. The maximum available credit is reduced annually with the maximum available credit available as of:

02/06/2018 - \$496,000

02/06/2019 - \$480,000

02/06/2020 - \$463,000

02/06/2021 - \$445,000

02/06/2022 - \$427,000 (and principal due)

NOTE 5: PRIOR PERIOD ADJUSTMENT

2017: The activities of GMF and GLF in Thailand had not previously been consolidated with the financial statements of Rapha House International Inc. and the expenses had previously been treated as a grant expense. However, to more clearly present the worldwide operations of the organization, adjustments were made in 2017 to include the activities and assets of GMF and GLF. Accordingly, such adjustments were retrospectively applied to all prior periods presented pursuant to FASB ASC 250-10-45-21.

2018: A prior period adjustment was made for \$1,130 to correct a cash balance.

NOTE 6: SUBSEQUENT EVENTS

Subsequent events were evaluated through July 15, 2019 which is the date the financial statements were available to be issued.

NOTE 7: CASH AND NET ASSETS WITH DONOR RESTRICTIONS

Fulfillment of programs allowed the release of \$151,791 restricted funds consistent with their donor-intended purpose during the year. Of the \$1,583,562 in cash and cash equivalents at year-end, \$1,321,500 has donor restrictions for specific purposes. These include \$984,844 for capital expenditures including the construction of a new safe house in Haiti, and \$336,656 for other specific programs.

Rapha House evaluates quantitative measures of liquidity on a monthly basis to ensure funds remain available to use for their intended purposes. Rapha House expects that all or nearly all cash and cash equivalents will be available for use in the next twelve months.

Rapha House International, Inc.
Notes to Financial Statements
December 31, 2018

NOTE 8: PROPERTY AND EQUIPMENT

Buildings, equipment and vehicles are recorded at cost with a minimum capitalization threshold of \$1,000-\$5,000. They are depreciated over their useful lives as follows: Buildings (20-40 years), Equipment and Vehicles (5-10 years).

	Cost	Accumulated Depreciation	Net
Buildings	\$2,926,964	\$487,675	\$2,439,289
Equipment and Vehicles	343,329	150,185	193,144
Total	\$3,270,293	\$637,860	\$2,632,433

NOTE 9: PREPAID RENT

The amount of \$45,000 for prepaid rent reflects the amount of rent paid in the current period that will be expensed in 2019 in Haiti.

NOTE 10: CONTINGENCIES:

Rapha House has operations in many countries throughout the world, many of which have volatile political and economic environments. As a result, Rapha House may have financial risks associated with these operations. No assessments or provisions for these risks have been made.

NOTE 11: EXPENSE ALLOCATION METHODOLOGY

Rapha House uses consistent methodology for allocating expenses in the statement of functional expenses. When a direct expense categorization is not appropriate, a time study or occupancy study is used to allocate expenses across functional areas appropriately.

NOTE 12: FDIC CASH LIMIT

2017: The amount of cash held in one financial institution, \$811,827 in Arvest Bank, exceeded the FDIC insurance limit of \$250,000 per depositor by \$561,827 at year end 2017.

2018: The amount of cash held in one financial institution, \$331,029 in Wells Fargo Bank, exceeded the FDIC insurance limit of \$250,000 per depositor by \$81,029 at year end 2018. This risk was mitigated through the purchase of brokered Certificates of Deposit which were purchased in the first two weeks of January 2019.

Rapha House International, Inc.
Notes to Financial Statements
December 31, 2018

NOTE 13: CASH FLOW RECONCILIATION

The following table provides a reconciliation of cash and cash equivalents reported on multiple lines of the statement of financial position that sum to the total amount shown in the statement of cash flows

Cash and Cash Equivalents, Without Donor Restrictions	\$262,062
Cash and Cash Equivalents, Donor-Restricted for Programming	336,656
Cash and Cash Equivalents, Donor-Restricted for Capital Exp.	<u>984,844</u>
Total Cash and Cash Equivalents	\$1,583,562

NOTE 14: SHORT-TERM INVESTMENTS

Short-term investments consist of one certificate of deposit dated December 31, 2018 with maturity on April 1, 2019.