

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) DBA Rapha International and affiliates, which comprise the combined statements of financial position as of December 31, 2019 and 2018, 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 ARM Cambodia Organization, Good Life Foundation, and Good Morning Foundation, affiliates, which statements reflect total assets of \$2,478,952 and \$2,461,142, as of December 31, 2019 and 2018 respectively, and the total support and revenues of \$3,964 and \$42,450 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 ARM 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. DBA Rapha International and affiliates as of December 31, 2019 and 2018, 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
June 30, 2020

Rapha House International, Inc.

Statement of Financial Position

December 31, 2019

(With Comparative Totals as of December 31, 2018)

	2019	2018
Assets		
Cash and Cash Equivalents, Without Donor Restrictions	\$ 317,903	\$ 262,062
Cash and Cash Equivalents, Donor-Restricted For Programming	289,046	336,656
Cash and Cash Equivalents, Donor-Restricted For Capital Exp.	881,055	984,844
Short-Term Investments, Unrestricted	0	193,000
Marketable securities, Donor-Restricted for Endowment	52,521	0
Pledges Receivable, Donor-Restricted For Programming	3,150	15,452
Accounts Receivable	0	2,156
Inventory	52,962	66,197
Refundable Deposit	0	800
Prepaid Rent	45,000	45,000
Land	853,528	853,528
Buildings, net	3,203,593	2,439,289
Equipment and vehicles, net	242,153	193,144
Total Assets	<u>\$ 5,940,912</u>	<u>\$ 5,392,128</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	79,781	45,121
Tax and Payroll Liabilities	12,570	4,098
Line of Credit	510,000	480,000
Total Liabilities	<u>602,351</u>	<u>529,219</u>
Net Assets:		
Net assets without donor restrictions	4,112,789	3,525,957
Net assets with donor restrictions, purpose restricted	1,225,772	1,336,952
Total Net Assets	<u>5,338,561</u>	<u>4,862,909</u>
Total Liabilities And Net Assets	<u>\$ 5,940,912</u>	<u>\$ 5,392,128</u>

Rapha House International, Inc.

Statement of Activities

Year Ended December 31, 2019

(With Comparative Totals for 2018)

	2019		2019 Total	2018
	Without Donor Restrictions	With Donor Restrictions		
Revenue:				
Contributions and Grants	\$2,630,908	\$1,102,322	\$3,733,229	\$4,187,673
International Income	1,326		1,326	48,942
Other Income	54,404	63	54,466	15,527
Gross Merchandise Sales	75,707		75,707	108,335
Cost of Goods Sold	(55,291)		(55,291)	(64,926)
Net Assets Released From Restrictions	1,213,565	(1,213,565)	0	0
Total Revenue	3,920,618	(111,180)	3,809,438	4,295,551
Expenses:				
Aftercare Program Support	1,466,065		1,466,065	1,374,066
Prevention Program Support	294,815		294,815	304,618
Awareness Trips	106,339		106,339	139,752
Contract Services	252,158		252,158	197,734
US Payroll	499,603		499,603	467,622
Facility, Equipment, and Office	235,253		235,253	133,073
Depreciation	163,357		163,357	137,925
Travel and Representation	184,327		184,327	195,476
Other Expenses	131,691		131,691	130,849
Total Expenses	3,333,609		3,333,609	3,081,115
Change in Net Assets from Operations	587,010	(111,180)	475,829	1,214,436
Unrealized gain/loss on investments	2,135		2,135	
Prior Period Adjustment	(2,312)		(2,312)	1,130
Change in Net Assets	586,833	(111,180)	475,652	1,215,566
Net assets:				
Beginning	3,525,957	1,336,952	4,862,909	3,647,343
Ending	\$4,112,789	\$1,225,772	\$5,338,561	\$4,862,909

Rapha House International, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services				Supporting services			2019 Total	2018 Total
	Aftercare	Prevention	Engagement	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Aftercare Program Support	\$ 1,466,065	\$ -	\$ -	\$ 1,466,065	-	-	-	\$ 1,466,065	\$ 1,374,066
Prevention Program Support	-	294,815	-	\$ 294,815	-	-	-	\$ 294,815	\$ 304,618
Awareness Trips	-	-	106,339	\$ 106,339	-	-	-	\$ 106,339	\$ 139,752
Contract Services	166,647	12,566	3,583	\$ 182,796	32,232	37,130	69,363	\$ 252,158	\$ 197,734
US Payroll	128,994	47,894	92,887	\$ 269,776	128,974	100,854	229,827	\$ 499,603	\$ 467,622
Facility, Equipment, and Office	88,048	25,477	18,434	\$ 131,958	23,941	79,354	103,295	\$ 235,253	\$ 133,073
Depreciation	143,242	13,278	-	\$ 156,520	4,558	2,279	6,837	\$ 163,357	\$ 137,925
Travel and Representation	54,460	18,153	60,326	\$ 132,939	29,046	22,343	51,388	\$ 184,327	\$ 195,476
Other Expenses	18,258	6,760	11,499	\$ 36,517	44,853	50,321	95,174	\$ 131,691	\$ 130,849
	<u>\$ 2,065,714</u>	<u>\$ 418,943</u>	<u>\$ 293,067</u>	<u>\$ 2,777,724</u>	<u>\$ 263,604</u>	<u>\$ 292,281</u>	<u>\$ 555,884</u>	<u>\$ 3,333,609</u>	<u>\$ 3,081,115</u>

Rapha House International, Inc.

Statement of Cash Flows
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$475,652	\$1,213,253
Adjustments to reconcile net revenue to net cash provided by operations:		
Depreciation	163,542	111,824
Net effect of prior period adjustment		
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	800	0
Pledges	14,458	(15,452)
Inventory	13,235	6,018
Prepaid rent	0	0
Increase (decrease) in:		
Accounts payable and accrued expenses	43,131	14,210
Net cash from operating activities	<u>710,818</u>	<u>1,329,853</u>
Cash flows from investing activities:		
Land		(356,551)
Building	(889,128)	(194,620)
Equipment and Vehicles	(87,728)	(28,837)
Short Term Investments	193,000	(193,000)
Marketable Securities	(52,521)	
Net cash from investing activities	<u>(836,376)</u>	<u>(773,008)</u>
Cash flows from financing activities:		
Line of credit	30,000	(31,700)
Net cash from financing activities	<u>30,000</u>	<u>(31,700)</u>
Net increase (decrease) in cash and cash equivalents	(95,558)	525,145
Cash and cash equivalents:		
Beginning	\$ 1,583,562	\$ 1,058,417
Ending	<u>\$ 1,488,004</u>	<u>\$ 1,583,562</u>

Rapha House International, Inc.
Notes to Financial Statements
December 31, 2019

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 engagement for you. The entity is active in the USA, Haiti and Southeast Asia (see "Affiliates" note below).

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, 2019

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 Cambodia in Cambodia, GMF in Thailand, GLF in Thailand, and Rapha 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 2018 receivables represent money owed to ARM in Cambodia in the amount of \$2,156 which represents program beneficiaries and staff. These funds have been written off in 2019.

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
December 31, 2019

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)

A second line of credit was drawn from the same bank with a fixed 5% interest rate. The interest is payable monthly with the principal due on October 19, 2020. The maximum available credit was \$60,000.

NOTE 5: PRIOR PERIOD ADJUSTMENT

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

2019: A prior period adjustment was made to correct a \$2,312 depreciation expense

NOTE 6: SUBSEQUENT EVENTS

Subsequent events were evaluated through July 1, 2020 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 net release of \$111,180 restricted funds consistent with their donor-intended purpose during the year. Of the \$1,488,004 in cash and cash equivalents at year-end, \$1,170,101 has donor restrictions for specific purposes. These include \$881,055 for capital expenditures including the construction of a new safe house in Haiti, and \$289,046 for other specific programs.

Rapha evaluates quantitative measures of liquidity on a monthly basis to ensure funds remain available to use for their intended purposes. Rapha 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, 2019

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).

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings	\$3,816,092	\$612,499	\$3,203,593
Equipment and Vehicles	431,057	188,903	242,153
Total	\$4,247,149	\$801,402	\$3,445,747

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 2020 in Haiti.

NOTE 10: CONTINGENCIES:

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

NOTE 11: EXPENSE ALLOCATION METHODOLOGY

Rapha 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

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.

2019: The amount of cash held in one financial institution, \$284,019 in Arvest Bank, exceeded the FDIC insurance limit of \$250,000 per depositor by \$34,019 at year end. The amount of cash held in another financial institution, Pershing LLC was \$790,000 as of December 31, 2019. These funds were held as liquid insured deposits, but exceeded the FDIC insurance limit of \$250,000 per depositor until the cash sweep was enacted in January 2020 to ensure FDIC insurance coverage applied to all such funds.

Rapha House International, Inc.
Notes to Financial Statements
December 31, 2019

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	\$317,903
Cash and Cash Equivalents, Donor-Restricted for Programming	289,046
Cash and Cash Equivalents, Donor-Restricted for Capital Exp.	<u>881,055</u>
Total Cash and Cash Equivalents	\$1,488,004

NOTE 14: SHORT-TERM INVESTMENTS

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

NOTE 15: ENDOWMENT AND MARKETABLE SECURITIES

In 2019 the Freedom Forever Endowment was established. Funds are invested according to a board-approved investment policy statement. Initial contributions are donor restricted per UPMIFA guidelines. For the first three calendar years of existence, the endowment plans to make no spending distributions in order to accumulate value.

Beginning Balance	\$0
Contributions	50,104
Investment Income	496
Administrative Fees	-145
Realized loss	-70
<u>Unrealized gains</u>	<u>2,135</u>
Ending Value:	\$52,521

Absent explicit donor stipulations or law to the contrary, investment gains on permanently restricted endowment funds are classified as restricted net assets until appropriated for expenditure by the organization.

NOTE 16: 401K PLAN

A 401k account for US employees was established in 2019. The plan is administered through Paychex Retirement Services, and fiduciary services are delegated to 401k Generation Inc. Rapha makes no employer contributions, and all assets are held for the benefit of employees through Mid-Atlantic Trust Company. The balance as of December 31, 2019 was \$8,084.