

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, 2020 and 2019, 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 \$2,416,741 and \$2,478,952, as of December 31, 2020 and 2019 respectively, and the total support and revenues of \$5,731 and \$3,964 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, 2020 and 2019, 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.

David A. Turk, CPA, LLC

Joplin, Missouri
August 10, 2021

Rapha International

Statement of Financial Position

December 31, 2020

(With Comparative Totals as of December 31, 2019)

	2020	2019
Assets		
Cash and Cash Equivalents, Without Donor Restrictions	\$ 312,957	\$ 317,903
Cash and Cash Equivalents, Donor-Restricted For Programming	395,897	289,046
Cash and Cash Equivalents, Donor-Restricted For Capital Exp.	721,512	881,055
Marketable securities, Donor-Restricted for Endowment	78,331	52,521
Pledges Receivable, Donor-Restricted For Programming	-	3,150
Accounts Receivable	19,924	-
Inventory	40,186	52,962
Refundable Deposit	910	-
Prepaid Rent	5,000	45,000
Land	879,028	853,528
Buildings, net	4,181,277	3,203,593
Equipment and vehicles, net	246,229	242,153
Total Assets	<u>\$ 6,881,251</u>	<u>\$ 5,940,912</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	21,683	79,781
Tax and Payroll Liabilities	17,996	12,570
Notes Payable	472,086	510,000
Total Liabilities	<u>511,765</u>	<u>602,351</u>
Net Assets:		
Net assets without donor restrictions	5,252,077	4,112,789
Net assets with donor restrictions, purpose restricted	1,117,409	1,225,772
Total Net Assets	<u>6,369,486</u>	<u>5,338,561</u>
Total Liabilities And Net Assets	<u>\$ 6,881,251</u>	<u>\$ 5,940,912</u>

Rapha International

Statement of Activities

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020		2020 Total	2019
	Without Donor Restrictions	With Donor Restrictions		
Revenue:				
Contributions and Grants	\$2,399,703	\$1,674,329	\$4,074,032	\$3,733,229
Other Income	191,649		191,649	55,792
Gross Merchandise Sales	42,381		42,381	75,707
Cost of Goods Sold	(21,004)		(21,004)	(55,291)
Net Assets Released From Restrictions	1,782,692	(1,782,692)	-	-
Total Revenue	4,395,421	(108,363)	4,287,058	3,809,438
Expenses:				
Aftercare Program Support	1,469,765		1,469,765	1,466,065
Prevention Program Support	294,761		294,761	294,815
Engagement Trips	(4,674)		(4,674)	106,339
Contract Services	155,622		155,622	252,158
US Payroll	751,351		751,351	499,603
Facility, Equipment, and Office	220,307		220,307	235,253
Depreciation	173,323		173,323	163,357
Travel and Representation	62,664		62,664	184,327
Other Expenses	138,122		138,122	131,691
Total Expenses	3,261,240		3,261,240	3,333,609
Change in Net Assets from Operations	1,134,181	(108,363)	1,025,818	475,829
Unrealized gain/loss on investments	5,107		5,107	2,135
Prior Period Adjustment			-	(2,312)
Change in Net Assets	1,139,288	(108,363)	1,030,925	475,652
Net assets:				
Beginning	4,112,789	1,225,772	5,338,561	4,862,909
Ending	\$5,252,077	\$1,117,409	\$6,369,486	\$5,338,561

Rapha International

Statement of Functional Expenses
 Year Ended December 31, 2020
 (With Comparative Totals for 2019)

	Program Services				Supporting services			2020 Total	2019 Total
	Aftercare	Prevention	Engagement	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Aftercare Program Support	\$ 1,469,765	\$ -	\$ -	\$1,469,765	-	-	-	\$1,469,765	\$1,466,065
Prevention Program Support	-	294,761	-	\$ 294,761	-	-	-	\$ 294,761	\$ 294,815
Engagement Trips	-	-	(4,674)	\$ (4,674)	-	-	-	\$ (4,674)	\$ 106,339
Contract Services	89,478	-	2,955	\$ 92,433	10,082	53,107	63,189	\$ 155,622	\$ 252,158
US Payroll	239,165	91,093	158,119	\$ 488,378	157,784	105,189	262,973	\$ 751,351	\$ 499,603
Facility, Equipment, and Office	38,554	14,305	26,443	\$ 79,302	24,065	116,940	141,005	\$ 220,307	\$ 235,253
Depreciation	153,208	13,278	-	\$ 166,486	4,558	2,279	6,837	\$ 173,323	\$ 163,357
Travel and Representation	9,956	3,319	32,103	\$ 45,378	10,372	6,914	17,286	\$ 62,664	\$ 184,327
Other Expenses	40,565	4,311	10,068	54,944	42,093	41,085	83,178	\$ 138,122	\$ 131,691
	<u>\$ 2,040,691</u>	<u>\$ 421,067</u>	<u>\$ 225,014</u>	<u>\$2,686,772</u>	<u>\$ 248,953</u>	<u>\$ 325,515</u>	<u>\$ 574,468</u>	<u>\$3,261,240</u>	<u>\$3,333,609</u>

Rapha International

Statement of Cash Flows

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$1,030,925	\$475,652
Adjustments to reconcile net revenue to net cash provided by operations:		
Depreciation	173,323	163,542
Net effect of prior period adjustment		
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(20,834)	800
Pledges	3,150	14,458
Inventory	12,776	13,235
Prepaid rent	40,000	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(52,672)	43,131
Net cash from operating activities	<u>1,186,668</u>	<u>710,818</u>
Cash flows from investing activities:		
Land	(25,500)	
Building	(1,113,482)	(889,128)
Equipment and Vehicles	(41,600)	(87,728)
Short Term Investments	0	193,000
Marketable Securities	(25,810)	(52,521)
Net cash from investing activities	<u>(1,206,392)</u>	<u>(836,376)</u>
Cash flows from financing activities:		
Line of credit	(37,914)	30,000
Net cash from financing activities	<u>(37,914)</u>	<u>30,000</u>
Net increase (decrease) in cash and cash equivalents	(57,638)	(95,558)
Cash and cash equivalents:		
Beginning	<u>\$ 1,488,004</u>	<u>\$ 1,583,562</u>
Ending	<u><u>\$ 1,430,366</u></u>	<u><u>\$ 1,488,004</u></u>

Rapha International
Notes to Financial Statements
December 31, 2020

NOTE 1: ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

Rapha House International, Inc. (doing business as “Rapha International”) 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 International 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 International
Notes to Financial Statements
December 31, 2020

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: 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 International
Notes to Financial Statements
December 31, 2020

NOTE 3: NOTES PAYABLE

On March 6, 2020 an existing line of credit with the principal amount of \$480,000 was changed into a 5 year note. The interest rate was decreased from 5% to 4.75% and the maturity was extended to March 6, 2025. According to the terms of the note, Rapha is to pay the loan in 59 regular payments of \$2,800 each and one irregular last payment estimated at \$423,753.12. The terms state that the borrower will pay the loan in full upon the lender's demand. The interest is calculated on a 365/360 basis and is approximately \$22,800 per year.

Maturities of the note in each of the years is approximated as follows:

	Principal	Interest
2020 \$	7,909	17,291
2021	11,108	22,492
2022	11,655	21,945
2023	12,229	21,371
2024	12,772	20,828
2025	<u>424,327</u>	5,027
	\$480,000	

NOTE 4: PRIOR PERIOD ADJUSTMENT

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

NOTE 5: SUBSEQUENT EVENTS

Subsequent events were evaluated through August 10, 2021 which is the date the financial statements were available to be issued.

NOTE 6: CASH AND NET ASSETS WITH DONOR RESTRICTIONS

Fulfillment of programs allowed the net release of \$108,363 restricted funds consistent with their donor-intended purpose during the year. Of the \$1,430,366 in cash and cash equivalents at year-end, \$1,117,409 has donor restrictions for specific purposes. These include \$721,512 for capital expenditures including the construction of a new aftercare campus in Haiti, and \$395,897 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.

NOTE 7: 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).

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Notes to Financial Statements
December 31, 2020

	Cost	Accumulated Depreciation	Net
Buildings	\$4,922,003	\$740,726	\$4,181,277
Equipment and Vehicles	457,202	210,973	246,229
Total	\$5,329,360	\$949,756	\$4,427,506

NOTE 8: 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 9: 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 10: FDIC CASH LIMIT

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.

2020: The amount of cash held in one financial institution at year-end, \$908,453 Arvest Bank, exceeded the FDIC insurance limit of \$250,000 per depositor.

NOTE 11: 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	\$317,957
Cash and Cash Equivalents, Donor-Restricted for Programming	395,897
Cash and Cash Equivalents, Donor-Restricted for Capital Exp.	<u>721,512</u>
Total Cash and Cash Equivalents	\$1,430,366

Rapha International
Notes to Financial Statements
December 31, 2020

NOTE 12: 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.

2020 Activity:

Beginning Balance	\$52,521
Contributions	20,000
Investment Income	1,196
Administrative Fees	-492
<u>Net change in portfolio</u>	<u>5,106</u>
Ending Value:	\$78,331

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 13: EMPLOYEE BENEFIT PLANS

Rapha International has established a 401k and a Section 125 Flexible Spending Account for the benefit of US employees.

The 401k plan is administered through Paychex Retirement Services, and fiduciary services are delegated to 401k Generation Inc. Paychex, Inc. is the recordkeeper for the Flexible Spending Account. Since these plans are established for the benefit of employees, their contributions are not reflected as assets on the statement of financial position.

NOTE 14: PAYCHECK PROTECTION PROGRAM

A loan through the Paycheck Protection Program was received and forgiven in the year 2020. The corresponding revenue of \$139,322.66 is included in the Statement of Activity within the line item "Other Income".