

**David A. Turk, CPA, LLC  
CERTIFIED PUBLIC ACCOUNTANT**

**RAPHA HOUSE INTERNATIONAL, INC.**

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**FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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# 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 financial statements of Rapha House International, Inc. (a not-for-profit organization) as of December 31, 2014, and the related statements of activities 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

My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of ARM-Cambodia, an affiliate, which statements reflect total assets of \$839,139, as of December 31, 2014, and the total support and revenues of \$1,051,613, for the year then ended. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for ARM-Cambodia, is based solely on the report of the other auditors. I conducted my audit 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 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 other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of Rapha House International, Inc. and affiliate as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "David A. Turk, CPA, LLC". The signature is written in a cursive style with a horizontal line above the first few letters.

David A. Turk, CPA, LLC  
July 28, 2015

<b>Rapha House International, Inc.</b>	
<b>Statement of Financial Position</b>	
<b>As of December 31, 2014</b>	
<b>ASSETS</b>	<b>2014</b>
<b>Current Assets</b>	
Cash - United States	\$353,780
Cash - Cambodia	\$91,631
Accounts Receivable - Cambodia	\$9,617
Pledges Receivable (See Note)	\$550,000
Refundable Deposit - Cambodia	\$800
Inventory	\$123,244
<b>Total Current Assets</b>	<b>\$1,129,072</b>
<b>Fixed Assets</b>	
Land	\$216,250
Buildings - Cambodia	\$670,375
Buildings - Cambodia (Acc. Depreciation)	-\$174,228
Office Equipment - US	\$27,590
Office Equipment - US (Acc. Depreciation)	-\$24,341
Vehicles - Cambodia	\$82,158
Vehicles - Cambodia (Acc. Dep)	-\$57,463
Construction in Progress - United States	\$220,117
<b>Total Fixed Assets</b>	<b>\$960,457</b>
<b>TOTAL ASSETS</b>	<b>\$2,089,529</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts Payable	\$14,002
Payroll Liabilities	
Construction Line of Credit	\$167,997
<b>Total Liabilities</b>	<b>\$181,999</b>
<b>Net Assets</b>	
Unrestricted	\$1,110,087
Temporarily Restricted	\$797,443
<b>Total Net Assets</b>	<b>\$1,907,530</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$2,089,529</b>
Note: The accompanying notes are an integral part of these financial statements	

<b>Rapha House International, Inc.</b>	
<b>Statement of Activities</b>	
<b>For the Year Ended December 31, 2014</b>	
<b>SUPPORT AND REVENUE</b>	<b>Amount</b>
Contributions and grants	\$2,728,926
International Income	\$23,619
Counseling Revenue (U.S.)	\$18,635
Interest and Investment Income	\$1,246
Other Income	\$12,523
Gross Merchandise Sales	\$204,687
Cost of Goods Sold	(\$102,922)
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$2,886,714</b>
<b>EXPENSES</b>	<b>Amount</b>
Safe House and Program Support (Cambodia)	\$941,826
Safe House Support (Thailand)	\$593,000
Safe House Support (Haiti)	\$202,797
Safe House Support (Myanmar)	\$64,025
Grants to other organizations	\$3,750
Documentary (Finding Home)	\$17,412
Awareness Trips	\$108,887
US Payroll	\$179,677
US Payroll Taxes	\$13,757
Professional Services	\$3,974
Graphics and Media Design	\$22,136
Supplies and Equipment	\$12,182
Communications	\$3,848
Postage and shipping	\$21,740
Printing and Promotions	\$18,807
Online Subscriptions	\$6,673
Office Rent and Utilities	\$12,131
Depreciation	\$34,751
Awareness Representation and Domestic Travel	\$67,246
International Travel	\$35,687
Conferences and Conventions	\$11,817
Insurance	\$4,921
Staff development	\$24,130
Other expenses	\$7,277
<b>TOTAL EXPENSES</b>	<b>\$2,412,450</b>
<b>Net Income</b>	<b>\$474,265</b>
Note: The accompanying notes are an integral part of these financial statements	

<b>Rapha House International, Inc.</b>	
<b>Statement of Cash Flows</b>	
<b>For the Year Ended December 31, 2014</b>	
<b>From Operating Activities</b>	
Net Income	\$474,265
Decrease in Accounts Receivable - Cambodia	\$8,156
Increase in Pledges Receivable	(\$550,000)
Increase in Inventory	(\$8,244)
Increase in Accounts Payable	\$5,000
Decrease in Payroll Liabilities	(\$3,784)
<b>Net Cash Used By Operating Activities</b>	<b>(\$74,607)</b>
<b>From Investing Activities</b>	
Increase in Buildings (Cambodia)	(\$153,797)
Buildings Depreciation (Cambodia)	\$25,829
Increase in US Office Equipment	(\$47)
US Office Equipment Depreciation	\$4,354
Increase in Vehicles (Cambodia)	(\$1,450)
Vehicles Depreciation (Cambodia)	\$4,551
Increase in Construction in Progress (US)	(\$25,103)
Increase in Refundable Deposit (Cambodia)	(\$50)
Increase in Construction Line of Credit	\$14,923
Prior period adjustment	\$25,750
<b>Net Cash Used by Investing Activities</b>	<b>(\$105,040)</b>
<b>From Financing Activities</b>	
	\$0
<b>Net cash increase (decrease) for period</b>	<b>(\$179,647)</b>
Cash at beginning of period	\$625,058
<b>Cash at end of period</b>	<b>\$445,411</b>
Note: The accompanying notes are an integral part of these financial statements	

**RAPHA HOUSE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**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 support and operate homes for children who are victims of child slavery and who are vulnerable to sexual exploitation and to provide support, education, counseling, advocacy, nutrition, and training for these young people. The entity is active in the USA, Haiti and Southeast Asia.

**Method of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

**Inventory**

Inventory consists of items produced by the children for whom they are providing housing, education and 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. See Note 2 for asset details.

**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.

**RAPHA HOUSE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 1: ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**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**

The organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the organization does not use fund accounting.

The financial statements of ARM-Cambodia, an affiliate, that are incorporated into these financial statements, and audited by other auditors, uses the cost valuation basis. 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.

**Public Support and Revenue**

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**RAPHA HOUSE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 2: PROPERTY AND EQUIPMENT**

	2014
Land - Cambodia	\$ 216,250
Buildings - Cambodia	670,375
Furniture and equipment - USA	27,590
Work in Process - Building & Land (See Note 5)	220,117
Vehicles - Cambodia	82,158
	<hr/> 1,216,490
Less: accumulated depreciation	(256,033)
	<hr/> <hr/> \$ 960,457

**NOTE 3: ACCOUNTS RECEIVABLE**

The receivables represent money owed to ARM-Cambodia in the amount of \$9,617 from beneficiaries and staff.

**NOTE 4: 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.

**NOTE 5: CONSTRUCTION IN PROGRESS**

The entity has purchased real property and is in the process of remodeling it for offices and a retail outlet in Joplin, Missouri, USA. See work in process cost in Note 2 and Note 6 for related liability.

**RAPHA HOUSE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 6: NOTE PAYABLE PEOPLES BANK**

This loan was used to purchase a commercial building in Joplin, Missouri for office space and a retail outlet for items produced by the children they are training. This note originated in 2012 and is renewed annually. It was renewed until July 2015, however it was paid off 3-9-15 and has been converted to a new line of credit in the amount of \$436,900 in order to finish the remodeling of the building. The note currently has a fixed interest rate of 5%. The interest is payable monthly with the principal due on December 6, 2015. The note is secured by the real estate.

**NOTE 7: SUBSEQUENT EVENT**

Subsequent events were evaluated through July 28, 2015, which is the date the financial statements were available to be issued.

**NOTE 8: PRIOR PERIOD ADJUSTMENT**

The adjustment, which is noted in the Statement of Cash Flows, was made by other auditors in the audit of ARM-Cambodia. The adjustment was to move 2013 purchases of fixed assets out of the expense section to the fixed asset of Building cost.

**NOTE 9: PLEDGES RECEIVABLE**

This account represents a single pledge of funds to be used in Thailand. \$531,000 was designated for building construction and \$19,000 was for general operating expenses. This pledge was received in January of 2015.