

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), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 \$1,010,066 and \$1,053,575, as of December 31, 2016 and 2015 respectively, and the total support and revenues of \$870,900 and \$1,125,872 respectively, for the years 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, the financial statements referred to above present fairly, in all material respects, the financial position of Rapha House International, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its 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
May 19, 2017

Rapha House International, Inc.		
Statement of Financial Position		
As of December 31, 2016 and 2015		
ASSETS	2016	2015
Current Assets		
Cash	\$609,492	\$492,728
Accounts Receivable	\$6,056	\$6,333
Pledges Receivable (See Note)	\$166,331	
Refundable Deposit	\$800	\$800
Inventory	\$70,504	\$114,244
Prepaid Rent	\$40,000	
Total Current Assets	\$893,184	\$614,105
Fixed Assets		
Land	\$216,250	\$216,250
Buildings	\$1,568,442	\$869,777
Construction in Progress	\$0	\$284,569
Buildings Acc. Dep.	-\$225,886	-\$200,057
Equipment	\$43,872	\$36,377
Equipment Acc. Dep.	-\$31,314	-\$30,142
Vehicles	\$188,732	\$188,732
Vehicles Acc. Dep.	-\$92,244	-\$77,398
Total Fixed Assets	\$1,667,851	\$1,288,107
TOTAL ASSETS	\$2,561,036	\$1,902,212
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$143,774	\$21,167
Payroll Liabilities	\$7,241	\$5,650
Construction Line of Credit	\$436,521	\$213,472
Total Liabilities	\$587,537	\$240,289
Net Assets		
Unrestricted	\$1,414,521	\$1,463,721
Temporarily Restricted	\$558,978	\$198,202
Total Net Assets	\$1,973,499	\$1,661,923
TOTAL LIABILITIES & NET ASSETS	\$2,561,036	\$1,902,212
Note: The accompanying notes are an integral part of these financial statements		
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Rapha House International, Inc.				
Statement of Activities				
For the Years Ended December 31, 2016 and 2015				
	2016			
SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Total	2015
Contributions and grants	\$1,951,968	\$592,768	\$2,544,736	\$2,205,024
International Income	\$9,354		\$9,354	\$13,121
Counseling Revenue (U.S.)	\$43,422		\$43,422	\$24,516
Interest and Investment Income	\$397		\$397	\$855
Other Income	\$26,201		\$26,201	\$40,891
Gross Merchandise Sales	\$171,025		\$171,025	\$176,577
Cost of Goods Sold	(\$100,227)		(\$100,227)	(\$59,465)
Net assets released from restrictions in 2016	\$231,992	(\$231,992)		
TOTAL SUPPORT AND REVENUE	\$2,334,132	\$360,776	\$2,694,908	\$2,401,519
EXPENSES				
Safe House and Programs (Cambodia)	\$972,231		\$972,231	\$969,873
Safe House (Thailand)	\$287,506		\$287,506	\$701,052
Safe House (Haiti)	\$303,686		\$303,686	\$269,432
Safe House (Myanmar)	\$25,595		\$25,595	\$38,100
SWMO Coalition	\$276		\$276	\$0
Grants and Individual Assistance	\$12,425		\$12,425	\$10,570
Documentary and Media Production	\$3,862		\$3,862	\$25,339
Awareness Trips	\$174,427		\$174,427	\$120,141
US Payroll	\$257,490		\$257,490	\$193,402
US Payroll Taxes	\$19,698		\$19,698	\$14,795
Other Professional Services	\$9,284		\$9,284	\$18,750
Graphics and Media Design	\$0		\$0	\$24,154
Supplies and Equipment	\$33,344		\$33,344	\$11,732
Communications	\$5,028		\$5,028	\$3,865
Printing, Shipping and Promotions	\$51,048		\$51,048	\$47,460
Online Subscriptions	\$6,835		\$6,835	\$9,125
Office Rent and Utilities	\$14,765		\$14,765	\$11,710
Depreciation	\$42,315		\$42,315	\$48,016
Awareness Representation and Domestic Travel	\$53,357		\$53,357	\$71,778
International Travel	\$61,232		\$61,232	\$50,151
Conferences and Conventions	\$10,973		\$10,973	\$6,089
Insurance	\$16,584		\$16,584	\$10,114
Staff development	\$8,726		\$8,726	\$676
Other expenses	\$12,644		\$12,644	\$11,654
TOTAL EXPENSES	\$2,383,332		\$2,383,332	\$2,667,981
Prior Period Adjustments				\$20,855
CHANGE IN NET ASSETS	(\$49,200)	\$360,776	\$311,576	(\$245,607)
NET ASSETS, BEGINNING OF YEAR	\$1,463,721	\$198,202	\$1,661,923	\$1,907,530
NET ASSETS, END OF YEAR	\$1,414,521	\$558,978	\$1,973,499	\$1,661,923
Note: The accompanying notes are an integral part of these financial statements				
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Rapha House International, Inc.		
Statement of Cash Flows		
For the Years Ended December 31, 2016 and 2015		
	2016	2015
From Operating Activities		
Net Income	\$311,576	-\$266,462
Accounts Receivable	\$277	\$3,284
Pledges Receivable	-\$166,331	\$550,000
Inventory	\$43,739	\$9,000
Prepaid Rent	-\$40,000	
Accounts Payable	\$122,607	\$7,165
Payroll Liabilities	\$1,592	\$5,650
Net Cash Used By Operating Activities	\$273,459	\$308,637
From Investing Activities		
Buildings	-\$698,665	-\$199,402
Buildings Depreciation	\$25,829	\$25,829
Equipment	-\$7,495	-\$8,787
Equipment Depreciation	\$1,173	\$5,801
Vehicles	\$0	-\$106,574
Vehicles Depreciation	\$14,846	\$19,935
Construction in Progress (US)	\$284,569	-\$64,452
Increase in Construction Line of Credit	\$223,049	\$45,475
Prior period adjustment	\$0	\$20,855
Net Cash Used by Investing Activities	-\$156,695	-\$261,319
From Financing Activities		
Net cash increase (decrease) for period	\$116,764	\$47,317
Cash at beginning of period	\$492,728	\$445,411
Cash at end of period	\$609,492	\$492,728
Note: The accompanying notes are an integral part of these financial statements		
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Rapha House International, Inc.
Notes to Financial Statements
December 31, 2016

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 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.

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

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,

Rapha House International, Inc.
Notes to Financial Statements
December 31, 2016

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. Additionally, the financial statements of Rapha House Haiti have been incorporated into these financial statements. 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.

NOTE 2: ACCOUNTS RECEIVABLE

The receivables represent money owed to ARM-Cambodia in the amount of \$6,056 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.

NOTE 4: CONSTRUCTION IN PROGRESS

The entity has purchased real property and remodeled it for offices and a retail outlet in Joplin, Missouri, USA. The construction was completed by December 31, 2016 and the balance from construction in progress was transferred to buildings. See Note 5 for related liability.

Rapha House International, Inc.
Notes to Financial Statements
December 31, 2016

NOTE 5: CONSTRUCTION LINE OF CREDIT

This loan was used to purchase a commercial building in Joplin, Missouri for office space and a retail outlet for items produced in programs. This note originated in 2012 and is renewed annually. The amount at year end of 2016 was \$436,521.

As of February 6, 2017 the 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.

NOTE 6: SUBSEQUENT EVENT

Subsequent events were evaluated through May 19, 2016, which is the date the financial statements were available to be issued.

NOTE 7: PLEDGES RECEIVABLE

A single church wrote a check of \$166,331.40 to Rapha House at year-end 2016. However, the check was not delivered until January 5, 2017. Please see note 9 for restrictions.

NOTE 8: ACCOUNTS PAYABLE

Accounts payable included an invoice from a US construction company in the amount of \$118,771.92. This amount was paid in full with a check on January 20, 2017.

NOTE 9: RESTRICTED FUNDS

Restricted funds include cash for specific programs which has not yet been spent.

Included in the \$558,978 is:

\$194,922 for various program operations

\$188,986 for safe house construction in Cambodia (including pledge from note 7),

\$175,000 for safe house construction in Haiti