

**RAPE, ABUSE & INCEST NATIONAL NETWORK  
(RAINN)**

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED MAY 31, 2014 AND 2013**

# Rape, Abuse & Incest National Network (RAINN)

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## Independent Auditor's Report

To the Board of Directors of  
**Rape, Abuse & Incest National Network (RAINN)**  
Washington, DC

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We have audited the accompanying financial statements of **Rape, Abuse & Incest National Network (RAINN)** (a nonprofit organization), which comprise the Statements of Financial Position as of May 31, 2014 and 2013, and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the years 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*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

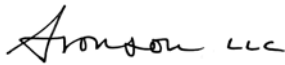
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, we 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.

## Independent Auditor's Report (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Rape, Abuse & Incest National Network** as of May 31, 2014 and 2013, 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.



Rockville, Maryland  
October 16, 2014

# Rape, Abuse & Incest National Network (RAINN)

## Statements of Financial Position

<i>May 31,</i>	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 2,739,369	\$ 1,877,119
Pledges receivable	75,704	68,965
Contracts and grants receivable	90,933	347,136
Prepaid expenses	56,039	58,654
Property and equipment, net	403,824	447,964
<b>Total assets</b>	<b>\$ 3,365,869</b>	<b>\$ 2,799,838</b>
<b>Liabilities and Net Assets</b>		
Note payable	\$ 159,478	\$ 186,960
Accounts payable and accrued expenses	297,618	258,765
Deferred rent	453,123	394,877
<b>Total liabilities</b>	<b>910,219</b>	<b>840,602</b>
<b>Net assets</b>		
Unrestricted	2,451,275	1,954,861
Temporarily restricted	4,375	4,375
<b>Total net assets</b>	<b>2,455,650</b>	<b>1,959,236</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,365,869</b>	<b>\$ 2,799,838</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Rape, Abuse & Incest National Network (RAINN)

### Statements of Activities and Changes in Net Assets

<i>Years Ended May 31,</i>	<b>2014</b>	<b>2013</b>
<b>Revenues and support</b>		
Service fees	\$ 2,599,729	\$ 2,244,120
Contributions	1,141,340	1,052,415
Contributed services	666,489	518,931
Special events, net	160,162	-
Merchandise sales	2,393	8,284
Interest	6,535	3,456
Net assets released from restrictions	-	7,625
<b>Total revenues and support</b>	<b>4,576,648</b>	<b>3,834,831</b>
<b>Expenses</b>		
Programs	3,762,488	2,939,056
Management and general	50,336	39,907
Fundraising	267,410	191,227
<b>Total expenses</b>	<b>4,080,234</b>	<b>3,170,190</b>
<b>Change in unrestricted net assets</b>	<b>496,414</b>	<b>664,641</b>
<b>Changes in temporarily restricted net assets</b>		
Contributions	-	12,000
Net assets released from restrictions	-	(7,625)
<b>Change in temporarily restricted net assets</b>	<b>-</b>	<b>4,375</b>
<b>Total change in net assets</b>	<b>496,414</b>	<b>669,016</b>
<b>Net assets, beginning of year</b>	<b>1,959,236</b>	<b>1,290,220</b>
<b>Net assets, end of year</b>	<b>\$ 2,455,650</b>	<b>\$ 1,959,236</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Rape, Abuse & Incest National Network (RAINN)

### Statement of Functional Expenses

<i>Year Ended May 31, 2014</i>	Communications	Victim Services	Policy	Total Programs	Management and general	Fund- raising	Total
Accounting	\$ 3,957	\$ 24,012	\$ 1,828	\$ 29,797	\$ 299	\$ 1,944	\$ 32,040
Bank credit card and other charges	415	1,784	192	2,391	636	16,067	19,094
Communications and outreach	3,319	36,962	11,189	51,470	-	24,739	76,209
Conferences	307	3,242	-	3,549	-	14	3,563
Contractors and consultants	86,425	115,981	54,372	256,778	20,390	20,390	297,558
Depreciation	2,268	9,753	1,048	13,069	171	1,114	14,354
Employee benefits	21,259	99,735	9,823	130,817	1,415	10,442	142,674
Equipment	334	29,928	-	30,262	-	-	30,262
Interest	1,351	5,807	626	7,784	102	663	8,549
Internet hosting	7,200	133,421	305	140,926	-	3,158	144,084
Legal	-	37,291	450,000	487,291	-	-	487,291
Liability insurance	403	10,416	186	11,005	30	198	11,233
Merchandise production	-	-	-	-	-	6,530	6,530
Occupancy expense	34,115	158,889	15,761	208,765	2,577	16,757	228,099
Postage	30,978	53	-	31,031	-	1,128	32,159
Printing	27,915	871	368	29,154	89	1,915	31,158
Public education	321,853	8,390	-	330,243	-	84	330,327
Salaries	292,726	1,258,645	135,250	1,686,621	22,104	143,785	1,852,510
Software	17,680	29,017	-	46,697	-	-	46,697
State registration fees	-	-	-	-	257	5,671	5,928
Supplies	699	9,593	146	10,438	424	115	10,977
Taxes - payroll	24,387	104,858	11,268	140,513	1,842	11,979	154,334
Telephone	316	84,461	-	84,777	-	594	85,371
Travel	3,847	23,708	1,555	29,110	-	123	29,233
<b>Total</b>	<b>\$ 881,754</b>	<b>\$ 2,186,817</b>	<b>\$ 693,917</b>	<b>\$ 3,762,488</b>	<b>\$ 50,336</b>	<b>\$ 267,410</b>	<b>\$ 4,080,234</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Rape, Abuse & Incest National Network (RAINN)

### Statement of Functional Expenses

<i>Year Ended May 31, 2013</i>	Communications	Victim Services	Policy	Total Programs	Management and general	Fund-raising	<b>Total</b>
Accounting	\$ 4,918	\$ 15,832	\$ 541	\$ 21,291	\$ 1,261	\$ 2,035	\$ 24,587
Bank credit card and other charges	634	2,043	70	2,747	19	15,671	18,437
Communications and outreach	73,306	19,612	1,675	94,593	5	5,800	100,398
Conferences	895	1,251	-	2,146	-	-	2,146
Contractors and consultants	69,070	115,087	51,778	235,935	25,889	34,292	296,116
Depreciation	936	3,011	103	4,050	58	387	4,495
Employee benefits	8,271	26,625	911	35,807	513	3,422	39,742
Equipment	-	15,292	-	15,292	-	-	15,292
Interest	2,434	7,833	268	10,535	149	1,007	11,691
Internet hosting	5,989	124,539	-	130,528	-	3,288	133,816
Legal	300	26,228	230,000	256,528	-	-	256,528
Liability insurance	578	11,042	64	11,684	36	239	11,959
Merchandise production	-	-	-	-	-	3,187	3,187
Occupancy expense	40,031	128,861	4,407	173,299	2,483	16,564	192,346
Postage	8,404	-	-	8,404	-	-	8,404
Printing	3,734	5,014	375	9,123	73	445	9,641
Public education	342,533	16,398	2,075	361,006	-	142	361,148
Salaries	170,470	1,087,247	19,737	1,277,454	9,127	86,609	1,373,190
Software	15,165	42,331	-	57,496	-	-	57,496
State registration fees	-	-	-	-	35	7,292	7,327
Supplies	1,919	12,957	195	15,071	27	-	15,098
Taxes - payroll	14,240	91,896	1,668	107,804	211	7,320	115,335
Telephone	-	81,981	-	81,981	-	699	82,680
Travel	11,378	14,253	651	26,282	-	2,828	29,110
Office	-	-	-	-	21	-	21
<b>Total</b>	<b>\$ 775,205</b>	<b>\$ 1,849,333</b>	<b>\$ 314,518</b>	<b>\$ 2,939,056</b>	<b>\$ 39,907</b>	<b>\$ 191,227</b>	<b>\$ 3,170,190</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



## Rape, Abuse & Incest National Network (RAINN)

### Statements of Cash Flows

<i>Years Ended May 31,</i>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 496,414	\$ 669,016
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>		
Depreciation and amortization	44,140	4,495
<b>(Increase) decrease in</b>		
Pledges receivable	(6,739)	(52,920)
Contracts and grants receivable	256,203	(311,622)
Prepaid expenses	2,615	(46,898)
Restricted cash	-	9,542
<b>Increase (decrease) in</b>		
Accounts payable and accrued expenses	38,853	90,101
Deferred rent	58,246	83,365
<b>Net cash provided by operating activities</b>	<b>889,732</b>	<b>445,079</b>
<b>Cash flows used by investing activities</b>		
Purchase of property and equipment	-	(147,169)
<b>Cash flows used by financing activities</b>		
Payment on notes payable	(27,482)	(26,173)
<b>Net change in cash and cash equivalents</b>	<b>862,250</b>	<b>271,737</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,877,119</b>	<b>1,605,382</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,739,369</b>	<b>\$ 1,877,119</b>
<b>Supplemental cash flow information</b>		
Payment of interest	\$ 8,549	\$ 11,691
<b>Supplemental non-cash investing and financing activities</b>		
Acquisition of leasehold improvements through operating lease agreements	\$ -	\$ 305,290

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Rape, Abuse & Incest National Network (RAINN)

## Notes to Financial Statements

### 1. Organization and significant accounting policies

**Organization:** Rape, Abuse & Incest National Network (RAINN) was organized for the charitable and educational purposes of establishing and maintaining the National Sexual Assault Hotline, National Sexual Assault Online Hotline and other services for victims; educating the public about sexual assault; and improving the criminal justice response to sexual violence. As a Voluntary Health and Welfare organization, RAINN provides Online Hotline services for victims of sexual assault. RAINN is located and operates in Washington, D.C.

**Basis of accounting:** RAINN's financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

**Basis of presentation:** Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations as to time or purpose of use. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted net assets on the Statement of Activities and Changes in Net Assets.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently. There were no permanently restricted net assets as of years ended May 31, 2014 and 2013.

**Cash and cash equivalents:** RAINN considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. RAINN maintains cash balances that may exceed federally insured limits. Management does not believe that this results in a significant credit risk.

**Pledge receivable:** RAINN records pledges in the period which they are promised. Management believes the balance to be fully collectible within one year; therefore no allowance for uncollectible pledges has been recorded.

**Contracts and grants receivable:** Contracts and grants receivable are recorded when expenses are incurred or services are provided for federal programs. This balance is deemed fully collectible and therefore no allowance for doubtful accounts is deemed necessary.

# Rape, Abuse & Incest National Network (RAINN)

## Notes to Financial Statements

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**Property and equipment:** Property and equipment was recorded at the original cost and were depreciated on a straight-line basis over estimated lives of three to five years with a capitalization policy of \$5,000. Leasehold improvements to property were recorded at cost and are amortized over the life of the lease.

**Deferred rent:** RAINN recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent on the accompanying statements of financial position.

**Revenue recognition:**

**Service fees** – RAINN has a fixed fee contract with the Department of Defense (DOD) for providing hotline services. Revenue is recognized ratably monthly as service is provided.

**Contributions** – RAINN recognizes all unconditional contributions received as income in the period in which the commitment is made. Contributions are reported as unrestricted, temporarily restricted or permanently restricted depending on the absence or existence of donor stipulations that limit the use of the contributions.

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 and Changes in Net Assets as net assets released from restrictions.

**Contributed services** – RAINN receives contributed legal assistance, media, web hosting, and security assessment for web services. These contributions are reported at their estimated fair value. These contributed services were expensed and included on the Statements of Functional Expenses.

**Special events** – Revenues from event tickets are reported in the fiscal year in which the event is held. All proceeds from ticket sales for special events received prior to year-end, but relating to events held subsequent to the statement of financial position date, are recorded as deferred revenue. Amounts reflected as temporarily restricted ticket revenues and sales represent contributions received at annual fundraising events with donor-imposed restrictions. Special event revenue is reported net of event expenses. Direct event expenses are reported in the fiscal year in which the event is held.

# Rape, Abuse & Incest National Network (RAINN)

## Notes to Financial Statements

**Sales of merchandise** – RAINN sells shirts, key-chains, and other small merchandise items which include its logo or program message. Revenues from merchandise are recognized at the time of sale.

**Functional expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited.

**Tax status:** RAINN is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying statements.

RAINN evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of May 31, 2014 and 2013, there are no accruals for uncertain tax positions. If applicable, RAINN records interest and penalties as a component of income tax expense. Tax years from 2011 through the current year remain open for examination by tax authorities.

**Use of accounting estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through October 16, 2014, which was the date the financial statements were available to be issued.

## 2. Program descriptions

**Communications:** RAINN educates the public about sexual assault and conducts outreach to at-risk populations.

**Victim Services:** RAINN operates the National Sexual Assault Hotline (800-656-HOPE), and the National Sexual Assault Online Hotline (a secure web-based support hotline at [online.RAINN.org](http://online.RAINN.org)). RAINN also operates the DOD Safe Helpline, five interrelated services for members of the US military affected by sexual assault, through a contract from the Department of Defense. All services are provided free to victims of sexual assault.

# Rape, Abuse & Incest National Network (RAINN)

## Notes to Financial Statements

**Policy:** RAINN analyzes, develops, and promotes policy changes to bring rapists to justice, help victims, and reduce the incidence of sexual violence.

### 3. Property and equipment

Property and equipment consist of the following at May 31:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 89,158	\$ 89,158
Software	132,875	132,875
Leasehold improvements	363,301	363,301
	<u>585,334</u>	<u>585,334</u>
Less: Accumulated depreciation and amortization	<u>(181,510)</u>	<u>(137,370)</u>
<b>Total property and equipment, net</b>	<b>\$ 403,824</b>	<b>\$ 447,964</b>

Depreciation and amortization expense for the years ended May 31, 2014 and 2013 was \$44,140 and \$4,495, respectively.

### 4. Operating lease

During the fiscal year ended May 31, 2013, RAINN entered into an operating lease for office space in Washington, D.C. The lease commenced on January 1, 2013 and will end on August 31, 2023 with fixed annual increases of 2.5% during the lease term. This lease included rent abatement beginning January and ending October 2013 with the first rent payment due October 22, 2013. A deferred rent liability is recorded for the difference between the pro-rata expense recognized and the total amounts paid under the lease and is recognized as a liability on the Statements of Financial Position.

The following is a schedule by years of future minimum rental payments required under the operating lease as of May 31, 2014:

<u>Year Ending May 31</u>	<u>Total</u>
2015	\$ 211,125
2016	216,411
2017	221,825
2018	227,376
2019	233,055
Thereafter	<u>1,057,195</u>
<b>Total</b>	<b>\$ 2,166,987</b>

# Rape, Abuse & Incest National Network (RAINN)

## Notes to Financial Statements

Total expense under operating leases for the years ended May 31, 2014 and 2013 was \$215,009 and \$185,936, respectively.

### 5. Note payable

Since 1994, RAINN has been using the services of a company (A&I Publishing) that is wholly owned by the President of RAINN. These services were covered by operational agreements, on which payment was deferred due to limited cash available to RAINN. As a settlement for the past due amounts, RAINN entered into a fourteen year note payable agreement with this company for the estimated value of these services. This note went into effect November 1, 2005 in the amount of \$288,000 and bore interest at 5%. Payments were made based upon the availability of cash. The note continued to accrue interest during this time which is included in the accompanying Statements of Financial Position. During the year ended May 31, 2013, the note was renegotiated. The balance due with accrued interest was converted to principal. The maturity date and the interest rate remain the same. Under the renegotiated terms, the annual payment of principal and interest is \$36,830. In the event that RAINN ceases to receive services from this company, the remaining unpaid portion of this note is due immediately.

The following schedule summarizes the future principal maturities due under the note payable agreement as of May 31, 2014:

<u>Year Ending May 31</u>	<u>Amount</u>
2015	\$ 28,856
2016	30,299
2017	31,814
2018	33,405
2019	35,104
<b>Total</b>	<b>\$ 159,478</b>

Total interest expense for the years ended May 31, 2014 and 2013 was \$8,549 and \$11,691, respectively.

### 6. Related party transactions

RAINN entered into a contracting agreement with A&I Publishing for their services to RAINN. A&I Publishing is wholly owned by the President of RAINN. During the years ended May 31, 2014 and 2013, RAINN incurred expenses of \$271,860 and \$258,888, respectively under this agreement. In addition, RAINN reimbursed A&I Publishing approximately \$1,866 and \$9,007 for the years ended May 31, 2014 and 2013, respectively, for costs incurred by A&I Publishing on behalf of RAINN. The amount due to A&I Publishing as of May 31, 2014 and 2013 was \$55,160 and \$18,760, respectively, which is included in accounts payable and accrued expenses on the accompanying Statement of Financial Position.

# Rape, Abuse & Incest National Network (RAINN)

## Notes to Financial Statements

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In addition, RAINN has a note payable agreement with A&I Publishing, which is described in Note 5.

- 7. Concentration of revenue** The contract with the Department of Defense comprises 56% and 58% of total revenue in fiscal years ended May 31, 2014 and 2013, respectively.
- 8. Temporarily restricted net assets** As of May 31, 2014 and 2013, temporarily restricted net assets of \$4,375 were restricted for the Communications program. During the year ended May 31, 2014, there were no releases from restrictions.