

**Pastoral Counseling Centers of Tennessee,
Inc.
(d.b.a. INSIGHT COUNSELING CENTERS)**

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

**Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers**

Financial Statements

December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors
Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers

We have audited the accompanying financial statements of Pastoral Counseling Centers, Inc., d.b.a. Insight Counseling Centers (a Tennessee Corporation), which comprise of the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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, 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 audits 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 judgement, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pastoral Counseling Centers, Inc., d.b.a. Insight Counseling Centers, as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Lewis, Smith & Associates, P.C.
August 28, 2019

Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers

Statements of Financial Position
December 31, 2018 and 2017

ASSETS

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Unre- stricted</u>	<u>Temp- orarily Restricted</u>	<u>Total</u>	<u>Unre- stricted</u>	<u>Temp- orarily Restricted</u>	<u>Total</u>
Current Assets:						
Cash and cash equivalents	\$18,052	10,070	28,122	8,067	44,665	52,732
Accounts receivable	18,705	-	18,705	9,966	-	9,966
Grants receivable	-	26,500	26,500	-	15,000	15,000
Prepaid expense	-	-	-	500	-	500
 Total current assets	<u>36,757</u>	<u>36,570</u>	<u>73,327</u>	<u>18,533</u>	<u>59,665</u>	<u>78,198</u>
Property and equipment:						
Leasehold improvements	-	-	-	4,776	-	4,776
Furniture and equipment	<u>43,749</u>	-	<u>43,749</u>	<u>43,749</u>	-	<u>43,749</u>
 Total property and equipment	43,749	-	43,749	48,525	-	48,525
 Less: Accumulated depreciation	<u>(43,749)</u>	-	<u>(43,749)</u>	<u>(46,521)</u>	-	<u>(46,521)</u>
 Net property and equipment	-	-	-	<u>2,004</u>	-	<u>2,004</u>
 Total assets	<u>\$ 36,757</u>	<u>36,570</u>	<u>73,327</u>	<u>20,537</u>	<u>59,665</u>	<u>80,202</u>

LIABILITIES AND NET ASSETS

	<u>Unre- stricted</u>	<u>Temp- orarily Restricted</u>	<u>Total</u>	<u>Unre- stricted</u>	<u>Temp- orarily Restricted</u>	<u>Total</u>
Current liabilities:						
Line of credit payable	\$ 9,918	-	9,918	-	-	-
Accounts payable	3,870	-	3,870	3,025	-	3,025
Accrued expenses	<u>14,554</u>	-	<u>14,554</u>	<u>14,943</u>	-	<u>14,943</u>
 Total current liabilities	<u>28,342</u>	-	<u>28,342</u>	<u>17,968</u>	-	<u>17,968</u>
 Total net assets	<u>8,415</u>	<u>36,570</u>	<u>44,985</u>	<u>2,569</u>	<u>59,665</u>	<u>62,234</u>
 Total liabilities and net assets	<u>\$ 36,757</u>	<u>36,570</u>	<u>73,327</u>	<u>20,537</u>	<u>59,665</u>	<u>80,202</u>

See accompanying notes to financial statements.

Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers

Statements of Activities
For the Years Ended December 31, 2018 and 2017

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Unre- stricted</u>	<u>Temp- orarily Restricted</u>	<u>Total</u>	<u>Unre- stricted</u>	<u>Temp- orarily Restricted</u>	<u>Total</u>
Revenue:						
Contributions	\$136,051	91,400	227,451	147,448	-	147,448
Grants	19,560	31,003	50,563	-	136,622	136,622
Counseling services	291,015	-	291,015	273,189	-	273,189
Special Events	30,193	-	30,193	29,597	-	29,597
Investment income	-	-	-	87	-	87
Net assets released from restrictions	<u>145,498</u>	<u>(145,498)</u>	<u>-</u>	<u>80,385</u>	<u>(80,385)</u>	<u>-</u>
Total revenue	<u>622,317</u>	<u>(23,095)</u>	<u>599,222</u>	<u>530,706</u>	<u>56,237</u>	<u>586,943</u>
Expenses:						
Program	442,925	-	442,925	407,035	-	407,035
General and administrative	102,482	-	102,482	93,856	-	93,856
Fundraising	<u>71,064</u>	<u>-</u>	<u>71,064</u>	<u>78,048</u>	<u>-</u>	<u>78,048</u>
Total expenses	<u>616,471</u>	<u>-</u>	<u>616,471</u>	<u>578,939</u>	<u>-</u>	<u>578,939</u>
Increase (decrease) in net assets	5,846	(23,095)	(17,249)	(48,233)	56,237	8,004
Net assets at beginning of year	<u>2,569</u>	<u>59,665</u>	<u>62,234</u>	<u>50,802</u>	<u>3,428</u>	<u>54,230</u>
Net assets at end of year	<u>\$ 8,415</u>	<u>36,570</u>	<u>44,985</u>	<u>2,569</u>	<u>59,665</u>	<u>62,234</u>

See accompanying notes to financial statements.

Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers

Statements of Functional Expenses

For Fiscal Years Ended December 31, 2018 and 2017

	<u>December 31, 2018</u>				
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>2017 Total</u>
Salaries and Wages	\$252,776	59,539	42,827	355,142	237,094
Contract Labor	99,246	19,117	7,973	126,336	210,109
Payroll Taxes	18,703	4,270	3,083	26,056	18,475
Public Relations	2,334	2,335	6,644	11,313	3,084
Employee Benefits	4,079	2,839	2,544	9,462	8,501
Payroll processing	1,613	303	101	2,017	2,276
Travel	1,594	506	122	2,222	2,590
Fees, dues, and subscriptions	582	350	233	1,165	3,265
Insurance	4,629	868	289	5,786	6,545
Rent	4,950	550	-	5,500	2,625
Technology support	9,422	1,217	807	11,446	16,759
Supplies	2,629	693	464	3,786	5,223
Telephone	1,147	328	165	1,640	2,451
Internet	1,951	557	279	2,787	2,791
Credit Card Processing	5,096	310	513	5,919	7,031
Bank Charges	585	567	567	1,719	2,589
Printing and Copying	2,892	657	274	3,823	2,832
Postage and Delivery	649	217	217	1,083	1,042
Professional Fees	5,012	2,811	1,889	9,712	18,263
Equipment rental	2,509	717	359	3,585	3,438
Marketing	2,591	1,252	825	4,668	7,802
Staff development	15,125	2,269	756	18,150	8,613
Donations	20	-	80	100	2,150
Depreciation	-	-	-	-	127
Janitorial	787	210	53	1,050	2,850
Loss on disposal of assets	2,004	-	-	2,004	-
Miscellaneous	-	-	-	-	414
	<u>\$442,925</u>	<u>102,482</u>	<u>71,064</u>	<u>616,471</u>	<u>578,939</u>

See accompanying notes to financial statements.

**Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers**

Statements of Cash Flows

For Fiscal Years Ended December 31, 2018 and 2017

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash flows from operating activities:						
Increase (decrease) in net assets:	\$ 5,846	(23,095)	(17,249)	(48,233)	56,237	8,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation on property and equipment	-	-	-	127	-	127
Loss on disposal of assets	2,004	-	2,004	-	-	-
(Increase) decrease in accounts receivable	(8,739)	-	(8,739)	3,280	-	3,280
(Increase) decrease in prepaid expenses	500	-	500	(500)	-	(500)
(Increase) decrease in grants receivable	-	(11,500)	(11,500)	-	(15,000)	(15,000)
Increase in accounts payable	845	-	845	201	-	201
Increase (decrease) in accrued expenses	(389)	-	(389)	13,993	-	13,993
Net cash provided (used) by operating activities	<u>67</u>	<u>(34,595)</u>	<u>(34,528)</u>	<u>(31,132)</u>	<u>41,237</u>	<u>10,105</u>
Cash flows from financing activities:						
Increase (decrease) in:						
Line of Credit payable	9,918	-	9,918	-	-	-
Net cash provided by financing activities	<u>9,918</u>	<u>-</u>	<u>9,918</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	9,985	(34,595)	(24,610)	(31,132)	41,237	10,105
Cash and cash equivalents at beginning of year	<u>8,067</u>	<u>44,665</u>	<u>52,732</u>	<u>39,199</u>	<u>3,428</u>	<u>42,627</u>
Cash and cash equivalents at end of year	<u>\$ 18,052</u>	<u>10,070</u>	<u>28,122</u>	<u>8,067</u>	<u>44,665</u>	<u>52,732</u>

See accompanying notes to financial statements.

**Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers**

Notes to Financial Statements

December 31, 2018 and 2017

(1) Organization and Nature of Activities:

Organized in 1984, Pastoral Counseling Centers of Tennessee, Inc., d.b.a. Insight Counseling Centers (ICC), is a not-for-profit corporation committed to providing spiritually integrated therapy to individuals, couples, and families. Additionally, the agency provides training for counselors and mental awareness education for communities in Middle Tennessee. Such organizations are typically classified as voluntary health and welfare (VHW) entities.

(2) Summary of Significant Accounting Policies:

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as established by the FASB Accounting Standards Codification. ICC 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, based upon the existence or absence of donor-imposed restrictions. Also, contributions received are recorded in these same three classes, depending on the existence and/or nature of any donor restrictions, and are recorded as described below:

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

Temporarily restricted net assets - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted.

Permanently restricted net assets - Net assets that are subject to donor-imposed stipulations that are to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes, in prior years, such assets were typically known as endowment funds. As of December 31, 2018 and 2017, the Foundation did not have any permanently restricted net assets.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Revenue and support are generally recognized as income during the fiscal year in which they are earned or contributed. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenues depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires - that is, when a stipulated time restriction ends or a purpose restriction is accomplished -

**Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers**

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued

temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. ICC received no permanently restricted contributions during 2018 and 2017.

Grants and bequests may require the fulfillment of certain conditions as set forth in the grant or bequest documents. Failure to fulfill any such conditions could result in the return of the funds to the grantors or donors. Although such a circumstance is a possibility, management deems such a contingency remote because ICC has historically complied satisfactorily with donor provisions. By accepting the gifts and their terms, ICC has demonstrated its intent and its policy to accommodate the intentions of the donors and to coordinate them with the objectives of the Organization.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the programs and supporting services benefitted, based upon estimates deemed appropriate and rational by management.

Income Tax Status

ICC is a not-for-profit corporation and the Internal Revenue Service has granted ICC exempt status under Section 501c(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been made in the accompanying financial statements. ICC is required to file annually a federal exempt organization information return, an IRS Form 990. As of December 31, 2018, ICC's tax years for 2015, 2016 and 2017 are subject to examination by the IRS.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Accounts Receivable and Grants Receivable

Accounts receivable consist primarily of third party billings to patients for work performed by participants in the therapy program and these billings may be covered by patients health insurance. Grants receivable consist primarily of awards from private foundations to support compassionate mental health counseling to residents of Middle Tennessee who are in need of financial aid to obtain such related therapy.

Management periodically reviews all delinquent receivables and charges off accounts after collection efforts are exhausted. The allowance for doubtful receivables, if any, represents an amount which, in management's judgment, reflects the net collectible balance of the receivable. In determining the adequacy of the allowance, management considers general economic conditions, the client's past credit experience and the donor's past support and/or financial ability, the age of the receivable, and any potential collateral. As of December 31, 2018, management has evaluated its receivables and has determined that all amounts are fully collectible and no allowance for uncollectible accounts is necessary.

Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued:

Property and Equipment

Purchased property and equipment are carried at cost. Donated equipment is recorded at estimated market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to five years. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for improvements, renewals and significant repairs that extend the useful life of an asset are capitalized.

Compensated Absences

Employees of ICC are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. ICC's policy is to recognize the cost of compensated absences when actually paid to employees.

Advertising Costs

The Organization expenses all advertising costs as they are incurred.

Fair Values

ICC has an established process for determining fair values of financial assets and liabilities, primarily receivables to be received in over one year and payables to be paid in over one year, i.e., of a long-term nature. When applicable, fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data. Valuation adjustments are made as deemed appropriate to ensure that financial instruments are recorded at fair value. As of December 31, 2018 and 2017, ICC had no long-term assets or liabilities that required fair values to be determined

(3) Property and Equipment, Net:

Details of property and equipment, net at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Property and equipment	\$43,749	\$48,525
Less accumulated depreciation	(43,749)	(46,521)
Net	<u>\$ -</u>	<u>\$ 2,004</u>

Depreciation was \$0 for 2018 and was \$127 for 2017. Leased space for two locations were not renewed in 2018, which resulted in a loss of \$2,004 related to the unamortized net book value of leasehold improvements abandoned.

(4) Intentions to Give

As of December 31, 2018 ICC had unfulfilled pledges from contributors of approximately \$10,000. Such pledges are generally considered to be unbinding promises and not binding commitments of intentions to give; accordingly, such unbinding promises are not recognized as assets or as revenues until funds are collected or until binding commitments are formally documented.

**Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers**

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(5) Donated Services

Officers, members of the Board of Directors, and other volunteers of ICC have assisted in the accomplishment of its goals and objectives by the donation of their time and services. No amounts have been reflected in the financial statements for such donations as it was not practicable to determine the valuation of such services to ICC, and it exercises no significant control over the major elements of donated services.

(6) Special Events

During the fiscal years ended December 31, 2018 and 2017, ICC sponsored and/or participated in several fund-raising events. These events serve as sources of additional revenue and greater public awareness. ICC received revenues from the special events of \$30,193 in 2018 and of \$29,597 in 2017. Included in these amounts are revenues of \$18,526 in 2018 from a luncheon held in Murfreesboro, Tennessee and of \$8,417 received from The Big Payback campaign in 2017, an event sponsored by The Community Foundation of Middle Tennessee.

(7) Line of Credit

ICC has a line of credit with Pinnacle Bank that provides for borrowings up to \$50,000 at a variable interest rate based on an index that is the Pinnacle base rate, which is set by the Bank at its sole discretion plus 1.50%. The base rate is currently 5.00%, which yields an interest rate of 6.50%. The outstanding balance on the line of credit as of December 31, 2018 was \$9,918 and it was \$0 as of December 31, 2017. The line of credit is secured by all real or personal property of ICC and also by the guarantees of two members of its Board of Directors. The line of credit expired on April 10, 2019 at which time it was extended for an additional year under basically the same terms.

(8) Leases

Historically, ICC has entered into annual leases for housing of administrative offices and of counseling meeting space and such leases have been generally cancellable on a month to month basis. In addition, supporting church congregations generally donate meeting space at each church when such space is not being used for church purposes. As of December 31, 2018 and 2017, there was one lease for administrative offices and also one for equipment usage resulting in related rental expense for 2018 of \$5,500 and for 2017 of \$2,625 for office space and also for 2018 of \$3,585 and for 2017 of \$3,438 for equipment usage.

(9) Contingencies, Concentrations and Related Parties

ICC maintains its cash in bank deposit accounts at a local branch of a well known regional financial institution with operations in markets throughout Middle Tennessee. The balances, at times, may exceed federally insured limits. ICC has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents in its deposit accounts. In addition, when necessary to comply with donor restrictions, e.g. grant requirements, cash has been maintained in separate accounts.

**Pastoral Counseling Centers of Tennessee, Inc.
d.b.a. Insight Counseling Centers**

Notes to Financial Statements, Continued

December 31, 2018 and 2017

(9) Contingencies, Concentrations and Related Parties, Continued

Also, ICC receives a significant amount of its support and contributions from local churches, corporations, foundations, organizations and individuals. Any significant reduction in the level of this support, if this were to occur, could have an adverse effect on its services and mission activities. However, based on the current year operations and budget estimates, Management expects appropriate levels of support for its service and mission activities to continue for the fiscal year ending December 31, 2019.

(10) Subsequent Events

Management has evaluated subsequent events through August 28, 2019, the date on which the financial statements were available to be issued. See Note 9 regarding future public support.