

The Refuge Center for Counseling, Inc.

Financial Statements
For the 18 Months Ended June 30, 2021

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Independent Auditor's Report

Board of Directors
The Refuge Center for Counseling, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Refuge Center for Counseling, Inc., which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the 18 months 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 audit. We conducted our audit 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 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.

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 The Refuge Center for Counseling, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the 18 months then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
February 10, 2022

The Refuge Center for Counseling, Inc.

Statement of Financial Position

June 30, 2021

Assets

Current assets

Cash	\$	438,721
Pledges receivable, current portion		264,171
Accounts receivable		<u>13,365</u>
Total current assets		716,257

Cash restricted for long-term assets		1,148,079
Pledges receivable, net of current portion		33,422
Property and equipment, net		<u>1,496,495</u>
Total assets	\$	3,394,253

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable	\$	2,563
Accrued expenses		<u>20,947</u>
Total current liabilities		23,510

Net assets

Without donor restrictions		2,357,979
With donor restrictions		<u>1,012,764</u>
Total net assets		<u>3,370,743</u>
Total liabilities and net assets	\$	3,394,253

The Refuge Center for Counseling, Inc.

Statement of Activities

For the 18 Months Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and Other Support			
Counseling services	\$ 2,397,656	\$ -	\$ 2,397,656
Contributions	509,069	701,265	1,210,334
Grant income	758,156	52,610	810,766
In-kind contributions	540,674	31,500	572,174
PPP income	177,500	-	177,500
Other	322,558	-	322,558
Net assets released from restrictions	<u>400,639</u>	<u>(400,639)</u>	<u>-</u>
Total revenues and other support	5,106,252	384,736	\$ 5,490,988
Expenses			
Program services			
Counseling	3,622,780	-	3,622,780
Supporting services			
Management and general	300,553	-	300,553
Fundraising	<u>259,874</u>	<u>-</u>	<u>259,874</u>
Total expenses	4,183,207	-	4,183,207
Change in net assets	923,045	384,736	1,307,781
Net assets, beginning of year, restated	<u>1,434,934</u>	<u>628,028</u>	<u>2,062,962</u>
Net assets, end of year	\$ 2,357,979	\$ 1,012,764	\$ 3,370,743

The Refuge Center for Counseling, Inc.

Schedule of Functional Expenses

For the 18 Months Ended June 30, 2021

	Program services	Management and general	Fundraising	Total
Salaries and payroll taxes	\$ 1,333,620	\$ 176,693	\$ 147,793	\$ 1,658,106
Employee benefits	21,875	17,405	-	39,280
Advertising	6,153	162	20,538	26,853
Collaborative partner	100,387	-	-	100,387
Compassionate Care	4,500	21,704	31	26,235
Depreciation	9,239	1,270	1,039	11,548
Dues and subscriptions	1,052	1,387	1,794	4,233
Education and development	16,432	256	-	16,688
Fundraising	200	-	29,576	29,776
In-kind expenses	539,799	-	-	539,799
Insurance	22,654	15,749	-	38,403
Interest	-	-	1,636	1,636
Maintenance	5,145	118	375	5,638
Meals and entertainment	4,747	3,804	3,253	11,804
Office supplies	23,411	5,998	4,840	34,249
Printing and postage	22,532	-	7,234	29,766
Professional fees	1,099,084	23,912	3,087	1,126,083
Rent	323,333	20,299	16,064	359,696
Technology	22,281	11,012	387	33,680
Telephone and internet	4,067	330	-	4,397
Bank fees	46,061	454	9,275	55,790
Miscellaneous	16,208	-	12,952	29,160
	\$ 3,622,780	\$ 300,553	\$ 259,874	\$ 4,183,207

The Refuge Center for Counseling, Inc.
Statement of Cash Flows
For the 18 Months Ended June 30, 2021

Cash, beginning of period	\$	592,465
Cash flows from operating activities		
Change in net assets		1,307,781
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation		11,548
Contributions restricted for long-term assets		(520,335)
Noncash contributions of securities		(60,745)
Change in:		
Pledges receivable, net		76,752
Accounts receivable		(13,335)
Accounts payable		1,263
Accrued expenses		20,947
Net cash provided (used) by operating activities		823,876
Cash flows from investing activities		
Purchases of property and equipment		(68,176)
Cash flows from financing activities		
Principal payments on long-term debt		(342,445)
Contributions restricted for long-term assets		520,335
Proceeds from sale of contributed investments		60,745
Net cash provided (used) by financing activities		238,635
Net change in cash		994,335
Cash, end of period	\$	1,586,800
Supplemental Information		
Cash	\$	438,721
Cash restricted for long-term assets		1,148,079
	\$	1,586,800

The Refuge Center for Counseling, Inc.
Notes to Financial Statements
For the 18 Months Ended June 30, 2021

Note 1. Summary of Significant Account Policies

Nature of Activities

The Refuge Center for Counseling, Inc. (the Organization) is a center which offers counseling service on a sliding scale basis based on income of the individual. The mission of the Organization is to offer affordable professional counseling services in order to empower, educate, and support individuals, couples, and families in need. The Center operates in Middle Tennessee serving clients in Williamson and the surrounding Middle Tennessee area.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP) and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax exempt status, and any limits resulting from contractual agreements with creditor and others that are entered into in the course of its operations.

Net assets with donor restrictions – Resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period.

Change in Fiscal Year

The Organization changed its fiscal year from a December 31 year end to a June 30 year end, beginning January 1, 2020.

Cash

The Organization considers all highly liquid investments with an original maturity when purchased of three months or less to be cash equivalents. Restricted cash consists of funds received with donor-imposed restrictions.

Pledges Receivable

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions that are not restricted, or are restricted by the donor and the restriction expires during the fiscal year, are reported as increases in net assets without donor restrictions. All other contributions are reported as increases in net assets with donor restrictions. Management considers all pledges receivable to give to be fully collectible at June 30, 2021. Accordingly, no allowance for doubtful accounts has been recorded in the accompanying statement of financial position. The discount rate used as of June 30, 2021 was 3%.

The Refuge Center for Counseling, Inc.
Notes to Financial Statements
For the 18 Months Ended June 30, 2021

Note 1. Summary of Significant Account Policies

Accounts Receivable

Accounts receivable are stated at their net realizable value. It is the opinion of management that all accounts receivable at June 30, 2021, are fully collectible.

Property and Equipment and Depreciation

The Organization capitalizes all expenses for land, leasehold improvements, and equipment in excess of \$2,500. Land, leasehold improvements, and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of the asset, which ranges from 3 to 10 years.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

As of June 30, 2021, the Organization has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. The Organization is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the statement of financial position date.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization elected to treat the PPP loan as a conditional contribution.

Donated Goods and Services

The value of donated goods and services meeting the criteria for recognition are recorded as in-kind contributions, with the corresponding expenses recorded, when the fair values of the goods and services are available. Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt.

The Refuge Center for Counseling, Inc.
Notes to Financial Statements
For the 18 Months Ended June 30, 2021

Note 1. Summary of Significant Account Policies

Revenue Recognition

On July 1, 2019, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU* (collectively, Accounting Standards Codification (ASC) 606), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The Organization performed an analysis of revenue streams and transitions to determine in-scope applicability. The adoption of ASC 606 did not materially impact the financial statements and related disclosures.

On July 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU resulted in the treatment of most governmental grants as donor-restricted conditional contributions rather than exchange transactions. The new standard also clarified the criteria for evaluating whether contributions are unconditional or conditional. The adoption of this ASU did not materially impact the financial statements and related disclosures.

Grant revenues are recognized when qualified reimbursable expenses are incurred or when services are performed. Grant funds received in advance are recognized as deferred grant revenue until earned. Grant receivables represent amounts due from grants which have been earned but not received.

Contributions and Support

Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for general operations use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

Functional Allocation of Expenses

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas have been allocated among the programs and supporting services as follows:

	Method of allocation
Depreciation	Time and effort
Professional fees	Time and effort
Salaries, payroll taxes, and employee benefits	Time and effort

The Refuge Center for Counseling, Inc.
Notes to Financial Statements
For the 18 Months Ended June 30, 2021

Note 1. Summary of Significant Account Policies

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Note 2. Liquidity and Availability of Resources

The following represents the Organization's financial assets:

Financial assets		
Cash	\$	1,586,800
Pledges receivable, net		297,593
Accounts receivable		<u>13,365</u>
Total financial assets at year-end		1,897,758
Less amounts not available to be used within one year		
Net assets with donor restrictions not available within next twelve months		941,764
Board-designated net assets		<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	455,994

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's strategic goal is to build a cash balance that will support three to six months of operating expenses. The Organization's working capital and cash flows have seasonal variations during the fiscal year attributable to cash receipts for program services and a concentration of contributions received at year-end. The Organization has no long-term debt and the assets are not pledged as collateral or compensating balances to secure any financial obligations.

Note 3. Pledges Receivable

Pledges receivable, net of discounts of \$14,482, consist of the following:

Pledges receivable, current portion		
Capital campaign	\$	193,171
Grant		50,000
In-kind support - rent		<u>21,000</u>
	\$	264,171
Pledges receivable, net of current portion		
Capital campaign	\$	22,922
In-kind support - rent		<u>10,500</u>
	\$	33,422

The Refuge Center for Counseling, Inc.
Notes to Financial Statements
For the 18 Months Ended June 30, 2021

Note 4. Property and Equipment

Property and equipment consist of the following:

Land	\$ 1,410,587
Construction in progress	30,596
Computer equipment	52,760
Leasehold improvements	43,477
Furniture and equipment	40,587
Less: accumulated depreciation	<u>(81,512)</u>
Property and equipment, net	\$ 1,496,495

Note 5. Line of Credit

The Organization has a \$60,000 line of credit with a 5% interest rate. There was no outstanding balance on the line at June 30, 2021.

Note 6. PPP Loan

On April 14, 2020, the Organization received a loan in the amount of \$177,500 in accordance with the PPP section of the CARES Act, which was forgiven in full on December 18, 2020.

Note 7. Leases

The Organization leases office space in Franklin, Tennessee. The rent is currently \$22,173 monthly for several office suites plus a percentage of expenses allocated based on the square footage of the building leased by the Organization. Future minimum lease payments for the year ended June 30 are:

Year ended June 30,	
2022	\$ 270,519
2023	<u>137,483</u>
	\$ 408,002

Note 8. In-kind Support

The Organization has unpaid interns that provide counseling services. The Organization recognized \$539,799 of in-kind contributions and in-kind professional fees expense which represents the fair value of the services provided.

The Organization leases an office suite for which no rent is charged. This lease began June 15, 2021 and ends December 31, 2022. The Organization recorded in-kind contributions in the amount of \$32,375, which represents the fair value of the rent over the lease term. As of June 30, 2021, \$875 was recorded as in-kind rent expense and \$31,500 is recorded as a pledge receivable which will be recognized as rent expense over the life of the lease.

Note 9. Related Party

The Organization receives discounted information technology services from a company that employs one of the members of its Board of Directors. The Organization paid approximately \$9,700 for these services.

The Refuge Center for Counseling, Inc.
Notes to Financial Statements
For the 18 Months Ended June 30, 2021

Note 10. Net Assets with Donor Restrictions

Net assets restricted by donors for time and purpose restrictions are as follows:

Capital campaign	\$	928,654
Time restrictions		50,000
Therapy room		2,610
In-kind rent		<u>31,500</u>
Net assets with donor restrictions	\$	1,012,764

The Board of Directors has also designated \$500,000 of the Organization’s net assets for the capital campaign.

Note 11. Concentrations

The Organization maintains its cash in bank accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk regarding cash balances. Uninsured balances at June 30, 2021 totaled \$1,121,000.

Note 12. Restatement

The Organization has restated its previously issued financial statements for the year ended December 31, 2019 to correct an error related to not recording pledges receivable. The total increase to net assets as January 1, 2020 was \$374,345.

The following is a summary of the restatement for 2020:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Net assets as of January 1, 2020	\$ 1,688,617	\$ -	\$ 1,688,617
Restatement of net assets	<u>-</u>	<u>374,345</u>	<u>374,345</u>
Net assets as of January 1, 2020, restated	\$ 1,688,617	\$ 374,345	\$ 2,062,962

The Refuge Center for Counseling, Inc.
Notes to Financial Statements
For the 18 Months Ended June 30, 2021

Note 12. Restatement

The effect on the Organization's previously issued financial statements is summarized as follows:

Statement of financial position as of December 31, 2019:

	Previously reported	Increase	Restated
Pledges receivable	\$ -	\$ 374,345	\$ 374,345

Statement of activities and changes in net assets for the year ended December 31, 2019:

	Previously reported	Increase	Restated
Contributions with donor restrictions	\$ -	\$ 374,345	\$ 374,345
Changes in net assets with donor restrictions	\$ -	\$ 374,345	\$ 374,345

Note 13. Subsequent Events

Management has evaluated subsequent events through February 10, 2022, the date on which the financial statements were available for issuance.

On October 6, 2021, the Organization's bank executed a standby letter of credit in the amount of \$75,000 for the benefit of its professional employer organization, which expires on October 6, 2022.