

**THE REFUGE CENTER FOR COUNSELING, INC.
FINANCIAL STATEMENTS,
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2023**

**THE REFUGE CENTER FOR COUNSELING, INC.
FINANCIAL STATEMENTS,
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 14



Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Refuge Center for Counseling, Inc.

Opinion

We have audited the financial statements of The Refuge Center for Counseling, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they could influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Edmundson, Betts & Dams, PLLC

November 17, 2023

THE REFUGE CENTER FOR COUNSELING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current assets	
Cash	\$ 455,693
Pledges receivable, current portion	267,286
Accounts receivable	48,800
Employee retention credits receivable	308,962
Prepaid expenses	<u>800</u>
Total current assets	1,081,541
Cash restricted for long-term assets	5,176,791
Pledges receivable, net of current portion	24,153
Property and equipment, net	<u>2,042,024</u>
Total assets	<u><u>\$ 8,324,509</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Current liabilities	
Accounts payable	\$ 4,081
Deferred revenue	7,750
Accrued expenses	<u>17,080</u>
Total current liabilities	<u>28,911</u>
Net assets	
Without donor restrictions	3,527,368
With donor restrictions	<u>4,768,230</u>
Total net assets	<u>8,295,598</u>
Total liabilities and net assets	<u><u>\$ 8,324,509</u></u>

**THE REFUGE CENTER FOR COUNSELING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Without donor restrictions	With donor restrictions	Total
Revenues and Other Support			
Counseling services	\$ 2,406,115	\$ -	\$ 2,406,115
Contributions of financial assets	226,619	2,038,307	2,264,926
Contributions of nonfinancial assets	419,365	-	419,365
Special events, net of direct benefits to donors of \$66,105	250,483	-	250,483
Grant income	225,506	-	225,506
Interest	118,007	-	118,007
Other	22,189	-	22,189
Net assets released from restrictions	<u>477,023</u>	<u>(477,023)</u>	<u>-</u>
 Total revenue and other support	 <u>4,145,307</u>	 <u>1,561,284</u>	 <u>5,706,591</u>
Expenses			
Program services			
Counseling	3,170,740	-	3,170,740
Supporting services			
Management and general	250,737	-	250,737
Fundraising	<u>262,041</u>	<u>-</u>	<u>262,041</u>
 Total expenses	 <u>3,683,518</u>	 <u>-</u>	 <u>3,683,518</u>
 Change in net assets	 461,789	 1,561,284	 2,023,073
Net assets, beginning of year	<u>3,065,579</u>	<u>3,206,946</u>	<u>6,272,525</u>
Net assets, end of year	<u>\$ 3,527,368</u>	<u>\$ 4,768,230</u>	<u>\$ 8,295,598</u>

THE REFUGE CENTER FOR COUNSELING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and payroll taxes	\$ 1,288,796	\$ 127,289	\$ 175,021	\$ 1,591,106
Professional fees	1,190,996	36,303	5,085	1,232,384
Rent	314,564	2,776	831	318,171
Employee benefits	101,810	35,595	12,768	150,173
Bank fees	64,264	5,449	7,771	77,484
Collaborative partner	58,692	-	-	58,692
Technology	37,057	10,292	2,338	49,687
Marketing	15,627	-	31,287	46,914
Office supplies	25,683	2,536	3,488	31,707
Maintenance	17,921	7,057	416	25,394
Printing and postage	879	141	17,825	18,845
Depreciation	-	15,447	-	15,447
Insurance	12,835	1,222	841	14,898
Meals and entertainment	6,208	4,344	3,462	14,014
Education and development	12,242	1	200	12,443
Miscellaneous	10,209	-	-	10,209
Client resource material	8,099	-	-	8,099
Telephone and internet	4,449	439	604	5,492
Dues and subscriptions	409	1,846	104	2,359
	<u>\$ 3,170,740</u>	<u>\$ 250,737</u>	<u>\$ 262,041</u>	<u>\$ 3,683,518</u>

THE REFUGE CENTER FOR COUNSELING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 2,023,073
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	15,447
Contributions restricted for long-term assets	(1,745,709)
Change in:	
Pledges receivable, net	(86,016)
Accounts receivable	(28,524)
Employee retention credits receivable	128,539
Prepaid expenses	200
Accounts payable	(27,455)
Deferred revenue	7,750
Accrued expenses	<u>(2,877)</u>
Net cash provided by operating activities	<u>284,428</u>
Cash flows from investing activities:	
Purchases property and equipment	<u>(366,574)</u>
Cash flows from financing activities:	
Contributions restricted for long-term assets	<u>1,745,709</u>
Net change in cash	1,663,563
Cash, beginning of year	<u>3,968,921</u>
Cash, end of year	<u><u>\$ 5,632,484</u></u>
Supplemental information:	
Cash	\$ 455,693
Cash restricted for long-term assets	<u>5,176,791</u>
Total cash	<u><u>\$ 5,632,484</u></u>

**THE REFUGE CENTER FOR COUNSELING, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING 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 Organization operates in Middle Tennessee serving clients in Williamson and the surrounding Middle Tennessee area.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of 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 – Net assets available that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors. 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 creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**THE REFUGE CENTER FOR COUNSELING, INC.
NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

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.

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 for the purpose of long-term assets.

Accounts Receivable

Accounts receivable are stated at their net realizable value. It is the opinion of management that all accounts receivable at June 30, 2023, are fully collectible.

Pledges Receivable

Pledges receivable are recognized when a donor makes an unconditional promise to give to the Organization. Management considers all pledges receivable to be fully collectible at June 30, 2023. Accordingly, an allowance for doubtful accounts of \$12,000 has been recorded in the accompanying statement of financial position. The discount rate used as of June 30, 2023 was 3%.

Employee Retention Credits

The Organization recognized \$514,707, net of fees of \$77,206, in employee retention credits to be applied as a payroll tax credit in accordance with Employee Retention Credit provision of the CARES Act. On June 30, 2023, the employee retention credits receivable was \$308,962.

THE REFUGE CENTER FOR COUNSELING, INC.
NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Property and Equipment

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 net asset, which ranges from 3 to 10 years. Repairs and maintenance are expensed as incurred. A gain or loss on the sale of property and equipment is reported as other revenue on the statement of activities.

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. Accordingly, no provision for income tax has been made. US GAAP requires the Organization's management to evaluate tax positions taken by the Organization and to recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained under examination by the Internal Revenue Service. Management has analyzed the tax positions of the Organization and has concluded that, as of June 30, 2023, no uncertain tax positions have been taken or are expected to be taken that would require recognition of a liability (or an asset) or disclosure in the financial statements. The Organization is no longer subject to US federal examinations for the years prior to June 30, 2019.

As of June 30, 2023, 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.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets of goods and services are reflected in the accompanying financial statements at their estimated fair value at the date the goods are received or services are performed.

THE REFUGE CENTER FOR COUNSELING, INC.
NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Contributions of Financial Assets

Contributions of financial assets 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 of financial assets are considered to be available for general operations unless specifically restricted by the donor. Amounts received that are designated for future periods or are 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 restrictions is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statement 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 presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of that functional area. 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
Deprecation	Time and effort
Professional fees	Time and effort
Salaries, payroll taxes, and employee benefits	Time and effort

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred after June 30, 2023, through the date of the issued financial statements. During the period there was a material recognizable subsequent event that required recognition in the disclosures to the June 30, 2023 financial statements. The subsequent event is described in Note 11.

**THE REFUGE CENTER FOR COUNSELING, INC.
NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization's financial assets:

Financial assets	
Cash	\$5,632,484
Pledges receivable, net	267,286
Accounts receivable	48,800
Employee retention credits receivable	308,962
Total financial assets at year-end	<u>6,257,532</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions not available within next twelve months	4,768,230
Board-designated net assets	<u>700,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 789,302</u>

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 \$756 and an allowance for doubtful pledges of \$12,000, consist of the following:

Pledges receivable, current portion	
Capital campaign	<u>\$ 267,286</u>
Pledges receivable, net of current portion	
Capital campaign	<u>\$ 24,153</u>

**THE REFUGE CENTER FOR COUNSELING, INC.
NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 1,410,587
Construction in progress	605,217
Computer equipment	44,742
Leasehold improvements	43,477
Furniture and equipment	38,021
Less: accumulated depreciation	<u>(100,020)</u>
Property and equipment, net	<u>\$ 2,042,024</u>

Depreciation expense was \$15,447 for the year ended June 30, 2023.

NOTE 5 - LETTER OF CREDIT

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 expired on October 8, 2023. The line of credit was subsequently renewed in the amount of \$100,000 with an expiration date of October 8, 2025.

On March 16, 2023, the Organization's bank executed an irrevocable standby letter of credit in the amount of \$384,000 for the benefit of a local municipality, which expires on March 16, 2024.

NOTE 6 - LEASES

The Organization leases office space in Franklin, Tennessee. The rent is currently \$22,914 monthly and increases to 26,315 monthly beginning January 1, 2024 for several office suites plus a percentage of expenses allocated based on square footage of the building leased by the Organization. Future minimum lease payments for the year ended June 30 are:

Year ended June 30,	
2024	<u>\$ 307,249</u>

**THE REFUGE CENTER FOR COUNSELING, INC.
NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 7 - CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets are as follows:

Services	\$ 410,865
Rent	3,500
Merchandise	5,000
	<u>\$ 419,365</u>

Unless otherwise noted, the Organization did not recognize any contributions of nonfinancial assets with donor-imposed restrictions.

The Organization has unpaid interns that provide counseling services. Contributed services are valued and are reported at their estimated fair value in the financial statement based on current rates for starting counseling positions.

A number of unpaid interns have made significant contributions of time to assist the Organization in achieving its stated goals. The value of contributed time was \$410,865 for the year ended June 30, 2023, which is reflected as contributions of nonfinancial assets in the statement of activities at the fair value of the counseling services performed.

In addition, the Organization received two months free rent of office space and a credit on the production of merchandise valued at \$3,500 and \$5,000, respectively.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors has designated \$700,000 of the Organization's net assets without donor restrictions for the capital campaign.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

Capital campaign	<u>\$4,768,230</u>
------------------	--------------------

NOTE 10 - 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 on June 30, 2023 totaled approximately \$4,450,000.

**THE REFUGE CENTER FOR COUNSELING, INC.
NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 11 - COMMITMENTS

During May 2023, the Organization signed a contract for the construction of a new treatment facility and administrative offices. The maximum amount due under this contract is \$10,758,824. As of June 30, 2023, no amounts had been expended under the contract.

NOTE 12 - SUBSEQUENT EVENTS

During July 2023, the Organization signed a \$6,300,000 loan agreement with a financial institution with funds to be utilized for the construction of their new treatment facility and administrative offices.

During November 2023, to reduce the credit risk on cash balances, the Organization transferred \$3,000,000 to an Insured Cash Sweep (ICS) account, which divides the funds in the ICS account into various accounts not exceeding the \$250,000 federally insured limits.