

The Refuge Center for Counseling, Inc.

Financial Statements
For the Year Ended June 30, 2022

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Independent Auditor's 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, 2022, 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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Auditor's 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.

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 GAAS 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 would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Mt. Juliet, Tennessee
February 15, 2023

The Refuge Center for Counseling, Inc.

Statement of Financial Position

June 30, 2022

Assets

Current assets

Cash	\$	537,839
Pledges receivable, current portion		164,742
Accounts receivable		20,276
Employee retention credits receivable		437,501
Prepaid expenses		<u>1,000</u>
Total current assets		1,161,358

Cash restricted for long-term assets		3,431,082
Pledges receivable, net of current portion		40,681
Property and equipment, net		<u>1,690,897</u>
Total assets	\$	6,324,018

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable	\$	31,536
Accrued expenses		<u>19,957</u>
Total current liabilities		51,493

Net assets

Without donor restrictions		3,065,579
With donor restrictions		<u>3,206,946</u>
Total net assets		<u>6,272,525</u>
Total liabilities and net assets	\$	6,324,018

The Refuge Center for Counseling, Inc.

Statement of Activities

For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenues and Other Support			
Counseling services	\$ 2,135,003	\$ -	\$ 2,135,003
Contributions of financial assets	342,903	2,463,857	2,806,760
Contributions of nonfinancial assets	384,491	-	384,491
Grant income	162,770	47,500	210,270
Employee retention credits income	514,707	-	514,707
Special events, net of direct benefits to donors of \$35,465	263,659	-	263,659
Other	80,958	-	80,958
Net assets released from restrictions	317,175	(317,175)	-
Total revenues and other support	4,201,666	2,194,182	\$ 6,395,848
Expenses			
Program services			
Counseling	2,872,937	-	2,872,937
Supporting services			
Management and general	418,764	-	418,764
Fundraising	202,365	-	202,365
Total expenses	3,494,066	-	3,494,066
Change in net assets	707,600	2,194,182	2,901,782
Net assets, beginning of year	2,357,979	1,012,764	3,370,743
Net assets, end of year	\$ 3,065,579	\$ 3,206,946	\$ 6,272,525

The Refuge Center for Counseling, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program services	Management and general	Fundraising	Total
Salaries and payroll taxes	\$ 1,135,676	\$ 120,696	\$ 112,042	\$ 1,368,414
Employee benefits	20,924	112,319	170	133,413
Advertising	2,459	15	16,246	18,720
Collaborative partner	71,384	-	-	71,384
Depreciation	11,349	1,206	1,120	13,675
Dues and subscriptions	269	499	1,585	2,353
Education and development	12,006	-	-	12,006
Insurance	10,226	3,296	186	13,708
Maintenance	2,460	-	-	2,460
Marketing	828	110	31,927	32,865
Meals and entertainment	6,342	4,567	3,820	14,729
Office supplies	14,519	3,602	3,653	21,774
Printing and postage	6,413	310	8,573	15,296
Professional fees	1,252,025	95,575	4,106	1,351,706
Rent	277,348	24,233	6,815	308,396
Technology	30,734	10,960	1,311	43,005
Telephone and internet	4,622	1,644	76	6,342
Bank fees	12,557	38,310	6,132	56,999
Miscellaneous	796	1,422	4,603	6,821
	\$ 2,872,937	\$ 418,764	\$ 202,365	\$ 3,494,066

The Refuge Center for Counseling, Inc.

Statement of Cash Flows For the Year Ended June 30, 2022

Cash, beginning of period	\$ 1,586,800
Cash flows from operating activities	
Change in net assets	2,901,782
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	13,675
Contributions restricted for long-term assets	(585,969)
Change in:	
Pledges receivable, net	92,170
Accounts receivable	(6,911)
Employee retention credits receivable	(437,501)
Prepaid expenses	(1,000)
Accounts payable	28,973
Accrued expenses	(990)
Net cash provided (used) by operating activities	<u>2,004,229</u>
Cash flows from investing activities	
Purchases of property and equipment	(208,077)
Cash flows from financing activities	
Contributions restricted for long-term assets	585,969
Net change in cash	<u>2,382,121</u>
Cash, end of period	\$ 3,968,921
Supplemental Information	
Cash	\$ 537,839
Cash restricted for long-term assets	<u>3,431,082</u>
	\$ 3,968,921

The Refuge Center for Counseling, Inc.

Notes to Financial Statements For the Year Ended June 30, 2022

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 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 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 – 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 creditor 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.

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, 2022, are fully collectible.

The Refuge Center for Counseling, Inc.

Notes to Financial Statements For the Year Ended June 30, 2022

Note 1. **Summary of Significant Account Policies**

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, 2022. Accordingly, no allowance for doubtful accounts has been recorded in the accompanying statement of financial position. The discount rate used as of June 30, 2022 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. The Organization has elected to treat these credits as conditional contributions and has recorded them as other income on the statement of activities.

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 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, 2022, 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, 2022, 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.

New Accounting Pronouncement

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item separate from contributions of cash or other financial assets. It also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. Adoption of this ASU had no impact on net assets.

The Refuge Center for Counseling, Inc.

Notes to Financial Statements For the Year Ended June 30, 2022

Note 1. Summary of Significant Account Policies

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 restriction 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.

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.

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

Note 2. Liquidity and Availability of Resources

The following represents the Organization's financial assets:

Financial assets	
Cash	\$ 3,968,921
Pledges receivable, net	205,423
Accounts receivable	20,276
Employee retention credits receivable	<u>437,501</u>
Total financial assets at year-end	4,632,121
Less amounts not available to be used within one year	
Net assets with donor restrictions not available within next twelve months	3,138,446
Board-designated net assets	<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 993,675

The Refuge Center for Counseling, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 2. Liquidity and Availability of Resources

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 \$12,756, consist of the following:

Pledges receivable, current portion	
Capital campaign	\$ 154,242
Contributed rent	<u>10,500</u>
	\$ 164,742
Pledges receivable, net of current portion	
Capital campaign	\$ 40,681

Note 4. Property and Equipment

Property and equipment consist of the following:

Land	\$ 1,410,587
Construction in progress	238,644
Computer equipment	44,742
Leasehold improvements	43,477
Furniture and equipment	40,616
Less: accumulated depreciation	<u>(87,169)</u>
Property and equipment, net	\$ 1,690,897

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 expires on October 8, 2023.

The Refuge Center for Counseling, Inc.

Notes to Financial Statements For the Year Ended June 30, 2022

Note 6. Leases

The Organization leases office space in Franklin, Tennessee. The rent is currently \$22,914 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,	
2023	\$ 291,929
2024	<u>157,042</u>
	\$ 448,971

Note 7. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are as follows:

Services	\$ 384,491
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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 \$348,491 for the year ended June 30, 2022, 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 leases an office suite for which no rent is charged. This lease began June 15, 2021 and ends December 31, 2022. For the year ended June 30, 2022, \$21,000 was recorded as rent expense and \$10,500 is recorded as a pledge receivable which will be recognized as rent expense over the remaining life of the lease.

Note 8. Net Assets with Donor Restrictions

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

Capital campaign	\$ 3,148,946
Time restrictions	47,500
Contributed rent	<u>10,500</u>
Net assets with donor restrictions	\$ 3,206,946

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

The Refuge Center for Counseling, Inc.

Notes to Financial Statements For the Year Ended June 30, 2022

Note 9. **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, 2022 totaled approximately \$2,900,000.

Note 10. **Subsequent Events**

Management has evaluated subsequent events through February 15, 2023, the date on which the financial statements were available for issuance.