

THE SUMMIT COUNSELING CENTER, INC.

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

**with
INDEPENDENT AUDITORS' REPORT**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)	6-7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-12

INDEPENDENT AUDITORS' REPORT

Board of Directors

The Summit Counseling Center, Inc.

We have audited the accompanying financial statements of The Summit Counseling Center, Inc., which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' 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 Summit Counseling Center, Inc. as of June 30, 2017 and 2016, and the changes in net assets (deficit) and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

December 8, 2017

**THE SUMMIT COUNSELING CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	ASSETS	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 108,630	\$ 67,238
Due from related entity	46,607	-
Other	<u>20,984</u>	<u>11,310</u>
Total Current Assets	176,221	78,548
Property and Equipment	150,313	147,550
Leasehold Improvements	<u>21,227</u>	<u>-</u>
	171,540	147,550
Less Accumulated Depreciation and Amortization	<u>(132,864)</u>	<u>(116,747)</u>
	<u>38,676</u>	<u>30,803</u>
	<u><u>\$ 214,897</u></u>	<u><u>\$ 109,351</u></u>
 LIABILITIES AND NET ASSETS (DEFICIT) 		
Current Liabilities		
Accounts payable and accrued expenses	\$ 83,936	\$ 58,802
Deferred revenues	15,799	22,444
Due to related entity	<u>-</u>	<u>63,190</u>
Total Current Liabilities	99,735	144,436
Net Assets (Deficit)		
Unrestricted		
Board designated	98,623	73,623
Undesignated	<u>(113,783)</u>	<u>(129,317)</u>
Total Unrestricted	(15,160)	(55,694)
Temporarily restricted	<u>130,322</u>	<u>20,609</u>
	<u>115,162</u>	<u>(35,085)</u>
	<u><u>\$ 214,897</u></u>	<u><u>\$ 109,351</u></u>

The accompanying notes are an integral part of these financial statements.

THE SUMMIT COUNSELING CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Counseling fees	\$ 1,541,257	\$ -	\$ 1,541,257
Contributions	97,700	-	97,700
Client assistance fund revenue	220,534	-	220,534
Designated revenue	-	157,098	157,098
In-kind contributions	22,476	-	22,476
Net assets released from restrictions	<u>47,385</u>	<u>(47,385)</u>	<u>-</u>
	<u>1,929,352</u>	<u>109,713</u>	<u>2,039,065</u>
Expenses:			
Compensation and benefits	1,558,695	-	1,558,695
Program	184,390	-	184,390
Designated expenditures	47,999	-	47,999
General and administrative	61,617	-	61,617
Depreciation and amortization	16,117	-	16,117
Internal allocations	<u>20,000</u>	<u>-</u>	<u>20,000</u>
	<u>1,888,818</u>	<u>-</u>	<u>1,888,818</u>
Increase in Net Assets	40,534	109,713	150,247
Net Assets (Deficit) at Beginning of Year	<u>(55,694)</u>	<u>20,609</u>	<u>(35,085)</u>
Net Assets (Deficit) at End of Year	<u>\$ (15,160)</u>	<u>\$ 130,322</u>	<u>\$ 115,162</u>

The accompanying notes are an integral part of these financial statements.

2016

<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
\$ 1,255,535	\$ -	\$ 1,255,535
194,621	-	194,621
141,087	-	141,087
229,598	20,632	250,230
-	-	-
<u>13,150</u>	<u>(13,150)</u>	<u>-</u>
<u>1,833,991</u>	<u>7,482</u>	<u>1,841,473</u>
1,305,881	-	1,305,881
315,623	-	315,623
10,199	-	10,199
91,356	-	91,356
8,874	-	8,874
<u>20,000</u>	<u>-</u>	<u>20,000</u>
<u>1,751,933</u>	<u>-</u>	<u>1,751,933</u>
82,058	7,482	89,540
<u>(137,752)</u>	<u>13,127</u>	<u>(124,625)</u>
<u>\$ (55,694)</u>	<u>\$ 20,609</u>	<u>\$ (35,085)</u>

**THE SUMMIT COUNSELING CENTER
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from fees, donations and contributions	\$ 1,909,419	\$ 1,841,473
Cash paid to suppliers and employees	<u>(1,944,562)</u>	<u>(1,789,500)</u>
Net Cash Provided (Required) by Operating Activities	<u>(35,143)</u>	<u>51,973</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(2,763)	(20,450)
Purchases of leasehold improvements	<u>(21,227)</u>	<u>-</u>
Net Cash Required by Investing Activities	<u>(23,990)</u>	<u>(20,450)</u>
Cash Flows from Financing Activities:		
Contributions restricted for capital improvements	<u>100,525</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>100,525</u>	<u>-</u>
Net Increase in Cash	41,392	31,523
Cash at Beginning of Year	<u>67,238</u>	<u>35,715</u>
Cash at End of Year	<u>\$ 108,630</u>	<u>\$ 67,238</u>
Reconciliation of Increase in Net Assets to Net Cash Provided (Required) by Operating Activities:		
Increase in Net Assets	\$ 150,247	\$ 89,540
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Required) by Operating Activities:		
Contributions restricted for capital improvements	(100,525)	-
Depreciation and amortization	16,117	8,874
Increase in due from related entity, net	(46,607)	-
(Increase) decrease in other assets	(9,674)	3,309
Increase (decrease) in accounts payable and accrued expenses	25,134	(18,609)
Increase (decrease) in deferred revenues	(6,645)	15,960
Decrease in due to related entity, net	<u>(63,190)</u>	<u>(47,101)</u>
Total adjustments	<u>(185,390)</u>	<u>(37,567)</u>
Net Cash Provided (Required) by Operating Activities	<u>\$ (35,143)</u>	<u>\$ 51,973</u>

The accompanying notes are an integral part of these financial statements.

THE SUMMIT COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – ORGANIZATIONAL MATTERS

Nature of Organization

The Summit Counseling Center, Inc. (the “Summit”) is a nonprofit community organization providing professional counseling services. The Summit employs state licensed and/or certified mental health professionals to provide counseling that addresses body, mind, spirit and community. The Summit is committed to providing care for those who cannot afford the full cost of services. Summit therapists address a wide range of mental health concerns and provide high school students with guidance in gaining entrance to a suitable college. The Summit partners with a wide range of community partners including churches, schools, businesses, foundations, individuals, and other nonprofit organizations to serve the North Atlanta community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Summit follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Reclassifications

Certain 2016 amounts have been reclassified to conform with the 2017 financial statement presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE SUMMIT COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Pledges are not recognized in the financial statements until the cash or other assets are received. The Summit records contributions received as unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Counseling center fees are due after services are performed and revenue is recognized when the fees are received. In 2017, the counseling center collected fees in advance of services being performed and recorded as unearned revenue. The revenue is recognized when services are performed in the following fiscal year. Counseling center fees earned but uncollected at June 30, 2017 and 2016 were not significant.

Contributions

The Summit reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets for a future accounting period or for a special purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When temporarily restricted contributions are received, and the restrictions are met in the same accounting period, they are reported as temporarily restricted support and net assets released from restrictions.

The Summit reports gifts of land, buildings and equipment, or the right to use those assets at estimated fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Program Expenses

Program expenses are direct expenses of counseling programs.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property, equipment and leasehold improvements are depreciated and amortized using the straight-line method over the estimated useful lives of the assets of 3-7 years.

THE SUMMIT COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Summit is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

The Summit annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Summit takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. Management believes the Summit is no longer subject to income tax examinations for tax years ending before June 30, 2014.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 3 – RELATED PARTY TRANSACTIONS

The \$46,607 balance due from related entity at June 30, 2017 represents net transfers to an affiliated entity which is non-interest bearing. The \$63,190 balance due to related entity at June 30, 2016 represents net borrowings from an affiliated entity which are non-interest bearing.

The Summit shares operating expenses with a Church, a separate nonprofit organization, and other affiliated entities. Total shared operating expenses of \$20,000 were allocated to the Summit during each of the years ended June 30, 2017 and 2016. In addition, office space is provided by various churches and schools at no charge for the Summit to perform counseling services.

NOTE 4 – DONATED GOODS

Donated goods and services are reflected as contributions in the accompanying financial statements at their estimated fair values at the date of receipt. The value of donated services is recorded in the financial statements if the services create or enhance non-financial assets or require specialized skill that would typically need to be purchased if not donated. Services donated to the Summit are only recognized in the financial statements when utilized. There were no donated goods or services received during the year ended June 30, 2016.

THE SUMMIT COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 – EMPLOYEE BENEFIT PLAN

The Summit provides a discretionary retirement program to its employees by utilization of an Internal Revenue Code Section 403(b) plan. The Summit matches the employees' contributions to a maximum of 4% of gross wages. Employees become eligible for this program after one year of employment and with a minimum of 1,000 hours of service. The Summit contributed and expensed approximately \$35,000 and \$26,000 to this program for the year ended June 30, 2017 and 2016, respectively.

NOTE 6 – LEASE COMMITMENTS

The Summit entered into a non-cancelable operating lease for a building in June 2016 which expires in May 2018. Future commitments under the lease for the year ending June 30, 2018 are \$20,603.

Rent expense under the operating lease for the years ended June 30, 2017 and 2016 was approximately \$22,000 and \$2,000, respectively, and was received in-kind.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Capital expenditures	\$ 82,987	\$ 2,815
Other designated funds	47,335	17,794
	<u>\$ 130,322</u>	<u>\$ 20,609</u>

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Capital expenditures	\$ 20,353	\$ -
Other designated expenditures	27,032	13,150
	<u>\$ 47,385</u>	<u>\$ 13,150</u>