

**THE SUMMIT COUNSELING CENTER, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

THE SUMMIT COUNSELING CENTER, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent auditors' report	1 - 2
Financial statements:	
Statements of financial position	3
Statements of activities and changes in net assets (deficit)	4 - 5
Statements of functional expenses	6 - 7
Statements of cash flows	8
Notes to financial statements	9 - 14

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
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, 2018, and the related statements of activities and changes in net assets and cash flows for the year 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 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 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.

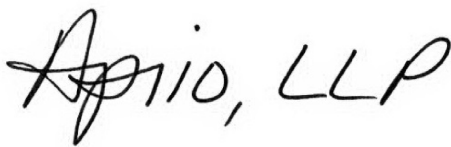
### **Opinion**

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, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Adjustment to Prior Period Financial Statements**

The financial statements of The Summit Counseling Center, Inc. as of June 30, 2017, were audited by other auditors whose opinion dated December 8, 2017, expressed an unmodified opinion on those financial statements. As discussed in Note B, The Summit Counseling Center, Inc. has restated its 2017 financial statements during the current year to reflect the donated use of facilities in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2017 financial statements before the restatement.

As part of our audit of the June 30, 2018, financial statements, we also audited the adjustment described in Note B that was applied to restate the 2017 financial statements. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of The Summit Counseling Center, Inc. other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia

May 1, 2019

THE SUMMIT COUNSELING CENTER, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 117,864	\$ 108,630
Accounts receivable	3,054	5,983
Prepaid expenses	-	6,000
Other assets	-	9,000
Due from affiliate	140,082	46,607
Property and equipment, net	<u>100,486</u>	<u>38,676</u>
Total assets	<u>\$ 361,486</u>	<u>\$ 214,896</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable	\$ 39,851	\$ 27,802
Accrued liabilities	71,604	56,133
Deferred revenues	<u>15,557</u>	<u>15,799</u>
Total liabilities	<u>127,012</u>	<u>99,734</u>
<u>Net assets</u>		
Unrestricted:		
Board designated	123,623	98,623
Undesignated	<u>18,596</u>	<u>(112,580)</u>
Total unrestricted	142,219	(13,957)
Temporarily restricted	<u>92,255</u>	<u>129,119</u>
Total net assets	<u>234,474</u>	<u>115,162</u>
Total liabilities and net assets	<u>\$ 361,486</u>	<u>\$ 214,896</u>

See the accompanying notes to the financial statements

THE SUMMIT COUNSELING CENTER, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, support and releases</u>				
Counseling fees	\$ 1,688,192	\$ -	\$ -	\$ 1,688,192
Contributions	832,275	62,305	-	894,580
In-kind contributions	159,875	-	-	159,875
Other	1,349	-	-	1,349
Net assets released from restrictions	<u>99,169</u>	<u>(99,169)</u>	<u>-</u>	<u>-</u>
Total revenues, support and releases	<u>2,780,860</u>	<u>(36,864)</u>	<u>-</u>	<u>2,743,996</u>
<u>Expenses</u>				
Programs	1,914,032	-	-	1,914,032
Management and general	259,808	-	-	259,808
Fundraising	<u>450,844</u>	<u>-</u>	<u>-</u>	<u>450,844</u>
Total expenses	<u>2,624,684</u>	<u>-</u>	<u>-</u>	<u>2,624,684</u>
Change in net assets (deficit)	156,176	(36,864)	-	119,312
Net assets (deficit), beginning of year	<u>(13,957)</u>	<u>129,119</u>	<u>-</u>	<u>115,162</u>
Net assets, end of year	<u>\$ 142,219</u>	<u>\$ 92,255</u>	<u>\$ -</u>	<u>\$ 234,474</u>

See the accompanying notes to the financial statements

THE SUMMIT COUNSELING CENTER, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
FOR THE YEAR ENDED JUNE 30, 2017 (AS RESTATED)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, support and releases</u>				
Counseling fees	\$ 1,477,875	\$ -	\$ -	\$ 1,477,875
Contributions	384,429	153,029	-	537,458
In-kind contributions	182,351	-	-	182,351
Other	1,255	-	-	1,255
Net assets released from restrictions	<u>38,529</u>	<u>(38,529)</u>	<u>-</u>	<u>-</u>
Total revenues, support and releases	<u>2,084,439</u>	<u>114,500</u>	<u>-</u>	<u>2,198,939</u>
<u>Expenses</u>				
Programs	1,632,663	-	-	1,632,663
Management and general	217,713	-	-	217,713
Fundraising	<u>198,316</u>	<u>-</u>	<u>-</u>	<u>198,316</u>
Total expenses	<u>2,048,692</u>	<u>-</u>	<u>-</u>	<u>2,048,692</u>
Change in net assets (deficit)	35,747	114,500	-	150,247
Net assets (deficit), beginning of year	<u>(49,704)</u>	<u>14,619</u>	<u>-</u>	<u>(35,085)</u>
Net assets (deficit), end of year	<u>\$ (13,957)</u>	<u>\$ 129,119</u>	<u>\$ -</u>	<u>\$ 115,162</u>

See the accompanying notes to the financial statements

THE SUMMIT COUNSELING CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 1,453,866	\$ 183,197	\$ 183,197	\$ 1,820,260
Events	-	-	255,023	255,023
Occupancy	162,047	43,212	10,803	216,062
Counseling	73,682	933	-	74,615
Administrative	15,000	5,000	-	20,000
Advertising	56,819	-	-	56,819
Banking fees	53,287	544	544	54,375
Information technology	25,718	8,572	-	34,290
Office	18,197	4,852	1,213	24,262
Depreciation	15,367	5,122	-	20,489
Other	18,572	379	-	18,951
Professional fees	7,933	7,933	-	15,866
Travel	7,256	-	-	7,256
Professional development	<u>6,288</u>	<u>64</u>	<u>64</u>	<u>6,416</u>
Total expenses	<u>\$ 1,914,032</u>	<u>\$ 259,808</u>	<u>\$ 450,844</u>	<u>\$ 2,624,684</u>

See the accompanying notes to the financial statements



THE SUMMIT COUNSELING CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017 (AS RESTATED)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 1,253,642	\$ 149,787	\$ 149,787	\$ 1,553,216
Occupancy	150,855	40,228	10,057	201,140
Counseling	45,586	1,049	-	46,635
Advertising	45,204	-	-	45,204
Banking fees	40,874	417	417	41,708
Administrative	29,047	9,683	-	38,730
Office	27,876	7,433	1,858	37,167
Events	-	-	36,142	36,142
Depreciation	12,088	4,029	-	16,117
Other	14,047	287	-	14,334
Professional fees	4,745	4,745	-	9,490
Professional development	5,369	55	55	5,479
Travel	3,330	-	-	3,330
	<u>3,330</u>	<u>-</u>	<u>-</u>	<u>3,330</u>
Total expenses	<u>\$ 1,632,663</u>	<u>\$ 217,713</u>	<u>\$ 198,316</u>	<u>\$ 2,048,692</u>

See the auditors' report on supplemental information

THE SUMMIT COUNSELING CENTER, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 119,312	\$ 150,247
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	20,489	16,117
Change in operating assets and liabilities:		
Accounts receivable	2,929	(9,674)
Prepaid expenses	6,000	-
Other assets	9,000	-
Due from affiliate	(93,475)	(46,607)
Accounts payable	12,050	25,134
Accrued liabilities	15,471	-
Deferred revenues	(242)	(6,645)
Due to affiliate	<u>-</u>	<u>(63,190)</u>
Total adjustments	<u>(27,778)</u>	<u>(84,865)</u>
Cash provided by operating activities	<u>91,534</u>	<u>65,382</u>
<u>Cash flows from investing activities</u>		
Purchases of property and equipment	<u>(82,300)</u>	<u>(23,990)</u>
Cash used in investing activities	<u>(82,300)</u>	<u>(23,990)</u>
Net increase in cash and cash equivalents	9,234	41,392
Cash and cash equivalents, beginning of the year	<u>108,630</u>	<u>67,238</u>
Cash and cash equivalents, end of year	<u>\$ 117,864</u>	<u>\$ 108,630</u>

See the accompanying notes to the financial statements

THE SUMMIT COUNSELING CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**Note A**

**Nature of Operations and Summary of Significant Accounting Policies**

Nature of Operations:

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.

Basis of Accounting:

The Summit prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

To ensure observance of limitations and restrictions placed on the use of resources available to the Summit, resources are classified for accounting and financial reporting purposes into 3 categories established according to their nature and purposes. The assets, liabilities and net assets of the Summit are reported in three categories as follows:

- Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Summit and its purposes.
- Temporarily restricted net assets are resources whose use by the Summit is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the Summit.
- Permanently restricted net assets are those whose use by the Summit is limited by donor-imposed stipulations requiring that the corpus be maintained in perpetuity.

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.

THE SUMMIT COUNSELING CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**Note A**

**Nature of Operations and Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents:

Cash and cash equivalents include cash and all unrestricted highly liquid investments with an original maturity of 90 days or less. At times, cash and cash equivalent balances may exceed federally insured amounts. The Summit believes it mitigates any risks by depositing cash and cash equivalents with major financial institutions. The Summit has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable:

In the normal course of operations, the Organization extends unsecured credit to its customers and maintains an allowance for doubtful receivables when considered necessary. Customer account balances with invoices over 90 days old are considered delinquent. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected, when considered necessary. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and, based on an assessment of current creditworthiness, past payment history and historical loss experience, estimates the portion, if any, of the balance that will not be collected. Finally, the allowance is adjusted for management's estimate of any changes in future economic conditions that might give rise to results that differ from past experience.

Property and Equipment:

Property and equipment are stated at cost if purchased or fair value at the date of gift, if donated. Expenditures for minor additions of equipment are charged to expense when incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, as follows:

Computers and software	3 - 7 years
Equipment, furniture and fixtures	3 - 30 years
Building improvements	3 years
Leasehold improvements	Shorter of life of lease or 3 - 10 years

THE SUMMIT COUNSELING CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**Note A**

**Nature of Operations and Summary of Significant Accounting Policies (Continued)**

Impairment of Long-Lived Assets:

In accordance with FASB ASC 360, Property, Plant and Equipment, management reviews and assesses long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, management estimates the future cash flows expected to result from the use of the asset. If the sum of the undiscounted expected cash flows is less than the carrying amount of the asset, an impairment loss is recognized based upon the estimated fair value of the asset. No impairment losses have been recognized for the years ended June 30, 2018 or 2017.

Deferred Revenue:

The Summit receives counseling payments prior to June 30 for upcoming counseling sessions. Counseling payments received prior to June 30 and counseling billed prior to June 30 are reflected as deferred revenue in the accompanying statements of financial position.

Revenue Recognition:

Counseling services are recognized as revenue in the period in which service is provided.

Special events revenue is recognized in the period in which the event is held.

Contributions are recognized when the donor makes a promise to give to the Summit that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor-imposed restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Conditional pledges or private grants are not included as support until the conditions are substantially met.

The Summit recognizes contributions of property and equipment as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Summit reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Summit reclassifies temporarily restricted net assets to unrestricted net assets at that time.

THE SUMMIT COUNSELING CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**Note A**

**Nature of Operations and Summary of Significant Accounting Policies (Continued)**

Gifts-in-Kind:

Donated goods and services are reflected as contributions in the accompanying combined 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 nonfinancial assets or require specialized skill that would typically need to be purchased if not donated. Donated goods and services received during the years ended June 30, 2018 and 2017, was \$159,875 and \$182,351, respectively.

Functional Allocation of Expenses:

The Summit allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Expenses common to several functions are allocated according to the formula developed by management.

Advertising:

Advertising costs are expensed as incurred. For the years ended June 30, 2018 and 2017, advertising expense totaled \$56,819 and \$45,204, respectively.

Tax Exempt Status:

The Summit is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income taxes has been recorded in the accompanying combined financial statements.

The Summit is no longer subject to income tax examinations for fiscal year up to and including 2014.

Reclassifications:

Certain reclassifications were made to the prior year presentation in order to conform to the current year presentation.

**Note B**

**Prior Period Adjustment**

In the prior year, the Summit did not record an in-kind contribution or in-kind expense for the donated use of certain facilities to conduct its programs. The fair market value of this benefit was determined to be \$159,875. A prior period adjustment was recorded to correct this error. The effect of this correction on the financial statements for the year ended June 30, 2017 is an increase in in-kind contribution revenue by \$159,875 from \$22,476 to \$182,351 and an increase in occupancy expenses in the same amount.

THE SUMMIT COUNSELING CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**Note C**  
**Property and Equipment**

The following is a summary of property and equipment at June 30:

	<u>2018</u>	<u>2017</u>
Computers and software	\$ 100,686	\$ 83,965
Equipment, furniture and fixtures	66,348	66,348
Leasehold improvements	71,964	-
Building improvements	<u>14,842</u>	<u>21,227</u>
	253,840	171,540
Less: accumulated depreciation	<u>(153,354)</u>	<u>(132,864)</u>
Property and equipment, net	<u>\$ 100,486</u>	<u>\$ 38,676</u>

Depreciation expense for the years ended June 30, 2018 and 2017, totaled \$20,489 and \$16,117, respectively.

**Note D**  
**Related Party Transactions**

The balance of due from affiliate in the amounts of \$140,082 and \$46,607 as of June 30, 2018 and 2017, respectively, represent net transfers to Mount Pisgah United Methodist Church (the Church), an affiliated entity.

The Summit has a shared services agreement with the Church. Under the agreement, the Summit pays the Church \$20,000 annually for certain shared operating and administrative expenses. The Summit recorded an expense of \$20,000 related to this agreement for each of the years ended June 30, 2018 and 2017.

The Summit uses certain facilities owned by the Church at no cost. The Summit recognized in-kind contributions and rent expense in the amounts of \$159,875 and \$159,875 during the years ended June 30, 2018 and 2017, to account for this benefit.

The Summit entered into a non-cancelable operating lease with the Church for a building in July 2018 which expires in June 2021. The lease requires annual payments of \$1.

THE SUMMIT COUNSELING CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**Note E**  
**Temporarily Restricted Net Assets**

The composition of and changes in temporarily restricted net assets as of and for the year ended June 30, 2018, is as follows:

	Beginning Balances	Additions	Releases	Ending Balances
Counseling	\$ 46,132	\$ 61,105	\$ (32,390)	\$ 74,847
Capital	80,422	-	(65,579)	14,843
Reserve	2,565	-	-	2,565
Legal	-	1,200	(1,200)	-
Total temporarily restricted net assets	<u>\$ 129,119</u>	<u>\$ 62,305</u>	<u>\$ (99,169)</u>	<u>\$ 92,255</u>

The composition of and changes in temporarily restricted net assets as of and for the year ended June 30, 2017, is as follows

	Beginning Balances	Additions	Releases	Ending Balances
Counseling	\$ 10,791	\$ 51,579	\$ (16,238)	\$ 46,132
Capital	250	100,525	(20,353)	80,422
Reserve	2,565	-	-	2,565
Marketing	1,013	925	(1,938)	-
Total temporarily restricted net assets	<u>\$ 14,619</u>	<u>\$ 153,029</u>	<u>\$ (38,529)</u>	<u>\$ 129,119</u>

**Note F**  
**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 \$42,351 and \$34,877 to this program for the years ended June 30, 2018 and 2017, respectively.

**Note G**  
**Subsequent Events**

Management considered all events through May 1, 2019, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. Except for the facility use lease described in Note D, management is not aware of any significant events that occurred subsequent to the statement of financial position date, but prior to the issuance of this report, that would have a material impact on the consolidated financial statements as presented.