CITY OF REFUGE, INCORPORATED

Consolidated Financial Statements
and
Independent Auditors' Report

Year Ended December 31, 2022

TABLE OF CONTENTS

3097 E Shadowlawn Ave NE
Atlanta, GA 30305
www.marshalljones.com
404 231 2001

marshalljones
certified public accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
City of Refuge, Incorporated

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of City of Refuge, Incorporated ("the Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of City of Refuge, Incorporated as of December 31, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Report on Other Legal and Regulatory Requirements

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Marshall Jones

Atlanta, Georgia
April 27, 2023

CITY OF REFUGE, INCORPORATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2022

Current Assets	
Cash	$ 6,417,597
Pledges receivable, less allowance of $534,264	10,158,042
Employee retention credit receivable	389,583
Receivable from sale of land	4,000,000
Other receivables	284,260
Prepaid expenses	386,472
Investments	697,520
Total Current Assets	22,333,474
Non-Current Assets	
Property and equipment, net	14,463,287
Right-of-use lease asset – operating, net	1,327,499
Total Non-Current Assets	15,790,786
Other Assets	
Land held for sale	509,000
Deposits	20,931
Note receivable	1,000,000
Total Other Assets	1,529,931
TOTAL ASSETS	$ 39,654,191
Current Liabilities	
Accounts payable and accrued expenses	$ 865,762
Accrued payroll	112,712
Note payable, current portion	63,281
Operating lease liability – current	99,896
Total Current Liabilities	1,141,651
Long-Term Liabilities	
Note payable, net of current	1,628,023
Operating lease liability, net of current	1,211,953
Total Long-Term Liabilities	2,839,976
Total Liabilities	3,981,627
Net Assets	
Net assets without donor restriction	18,711,627
Net assets with donor restriction	16,960,937
Total Net Assets	35,672,564
TOTAL LIABILITIES AND NET ASSETS	$ 39,654,191

This consolidated financial statement should be read only in connection with the accompanying independent auditors' report and notes to consolidated financial statements.

CITY OF REFUGE, INCORPORATED
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Net assets without donor restriction	Net assets with donor restriction	**Total**
Revenue			
Contributions and grants	$ 8,989,831	$ 13,910,522	**$ 22,900,353**
Government grants	1,938,555	-	**1,938,555**
Special events, benefits, and fundraisers	3,546,663	-	**3,546,663**
In-kind donations	-	400,000	**400,000**
Other revenue	115,303	-	**115,303**
Net assets released from restriction	2,060,492	(2,060,492)	**-**
Total Revenue	16,650,844	12,250,030	**28,900,874**
Expenses			
Program services	11,178,340	-	**11,178,340**
Supporting services	3,612,779	-	**3,612,779**
Total Expenses	14,791,119	-	**14,791,119**
Non-Operating Activities			
Gain on disposal of property and equipment	195,307	3,383,785	**3,579,092**
Bad debt expense	(406,001)	-	**(406,001)**
Interest and dividend income	6,998	-	**6,998**
Loss on sale of investments	(11,743)	-	**(11,743)**
Total Non-Operating Activities	(215,439)	3,383,785	**3,168,346**
Change in Net Assets	1,644,286	15,633,815	**17,278,101**
Net Assets - Beginning of Year	17,067,341	1,327,122	**18,394,463**
Net Assets - End of Year	$ 18,711,627	$ 16,960,937	**$ 35,672,564**

This consolidated financial statement should be read only in connection with the accompanying independent auditors' report and notes to consolidated financial statements.

CITY OF REFUGE, INCORPORATED
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services						Supporting Services			
	Health and Welfare	Youth and Children	Housing	Job Training and Educational	Human Slavery	**Total Program Services**	Management and General	Fundraising	**Total Supporting Services**	**Total**
Salaries	$ 357,801	$ 729,002	$ 859,747	$ 760,835	$ 264,429	**$ 2,971,814**	$ 169,343	$ 260,189	**$ 429,532**	**$ 3,401,346**
Payroll taxes and benefits	63,655	44,524	199,747	29,333	127,268	**464,527**	117,673	78,623	**196,296**	**660,823**
Total Compensation	421,456	773,526	1,059,494	790,168	391,697	**3,436,341**	287,016	338,812	**625,828**	**4,062,169**
Food and supplies	118,579	134,502	201,489	121,939	2,022	**578,531**	153,369	5,822	**159,191**	**737,722**
Occupancy and utilities	126,890	59,160	353,865	195,479	62,456	**797,850**	55,686	62,456	**118,142**	**915,992**
Contribution to other agencies	308,671	-	-	-	1,663,966	**1,972,637**	-	-	**-**	**1,972,637**
Workforce development	75,085	-	3,346	238,828	28,304	**345,563**	372	-	**372**	**345,935**
Professional fees	29,053	19,369	29,053	1,139,591	544,824	**1,761,890**	29,053	1,457,135	**1,486,188**	**3,248,078**
Client assistance	201,186	202,543	14,029	76,129	-	**493,887**	-	-	**-**	**493,887**
Interest expense	12,958	8,639	12,958	12,958	12,958	**60,471**	12,958	12,958	**25,916**	**86,387**
Telephone and internet	17,170	11,447	17,170	115,964	17,170	**178,921**	31,897	17,170	**49,067**	**227,988**
Staff development and travel	20,848	19,529	26,478	26,478	20,848	**114,181**	26,478	20,848	**47,326**	**161,507**
Repairs and maintenance	65,102	63,368	65,157	65,102	105,034	**363,763**	105,034	65,102	**170,136**	**533,899**
Office expense	2,875	1,917	2,875	4,089	2,875	**14,631**	118,094	38,575	**156,669**	**171,300**
Insurance	42,426	21,334	46,421	42,292	38,561	**191,034**	45,554	36,873	**82,427**	**273,461**
Equipment rent and maintenance	3,522	2,348	9,968	9,968	2,348	**28,154**	3,223	2,348	**5,571**	**33,725**
Program expense – vehicles	1,053	-	632	-	421	**2,106**	-	-	**-**	**2,106**
Depreciation and amortization	152,433	76,216	304,865	152,433	152,433	**838,380**	609,730	76,216	**685,946**	**1,524,326**
Total Expenses	$ 1,599,307	$ 1,393,898	$ 2,147,800	$ 2,991,418	$ 3,045,917	**$11,178,340**	$ 1,478,464	$ 2,134,315	**$ 3,612,779**	**$14,791,119**

This consolidated financial statement should be read only in connection with the accompanying independent auditors' report and notes to consolidated financial statements.

CITY OF REFUGE, INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

Cash Flows From Operating Activities	
Change in net assets	$ 17,278,101
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,524,326
Gain on disposal of property and equipment	(3,579,092)
Change in bad debt allowance	262,893
Loss on sale of investments	11,743
(Increase) decrease in assets:	
Pledges receivable	(9,641,244)
Employee retention credit receivable	39,684
Due from City of Refuge – Baltimore	100,000
Homeowner program receivable	186,434
Other receivables	(70,162)
Prepaid expenses and deposits	147,215
Right of use lease asset and liability– operating	(15,650)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	124,612
Accrued payroll	(8,662)
Net Cash Provided By Operating Activities	6,360,198
Cash Flows From Investing Activities	
Acquisition of property and equipment	(4,106,145)
Purchase of investments	(660,700)
Proceeds on disposal of property and equipment	844,748
Net Cash Used In Investing Activities	(3,922,097)
Cash Flows From Financing Activities	
Additions to loan costs	(3,760)
Principal payments on note payable	(70,685)
Net Cash Used In Financing Activities	(74,445)
Net Increase in Cash	2,363,656
Cash, Beginning of Year	4,053,941
Cash, End of Year	$ 6,417,597
Supplemental Cash Flow Information:	
Cash paid during the year for interest	$ 86,387
Acquisition of property and equipment within accrued expenses	$ 246,378

This consolidated financial statement should be read only in connection with the accompanying independent auditors' report and notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND PURPOSE

City of Refuge, Incorporated ("COR") is a nonprofit organization incorporated under the laws of the State of Georgia. COR's mission is to bring light, hope, and transformation to individuals and families who have experienced a lack of opportunities. Since 1997, COR has provided life-saving resources for 30,000 of Atlanta's most vulnerable individuals. COR now serves as a center "Where Good Works," connecting vulnerable citizens to the resources they need to move themselves and their families from crisis to dignity and independence. COR's comprehensive approach provides a full array of services in four key impact areas: Housing, Health and Wellness, Vocational Training, and Youth Development.

In an effort to expand services, supporters of COR's mission are using or are in the process of using, the name or likeness of City of Refuge in some capacity in the following locations: Athens, Georgia; Baltimore, Maryland; Calhoun, Georgia; Chicago, Illinois; East Point, Georgia; Hopewell, Virginia; Pulaski, Virginia; and South Hill, Virginia. Subsequent to December 31, 2022, an operation in New Orleans, Louisiana, was closed down, and an operation in Nashville, Tennessee, was opened. Conversations about possible use of COR's name or likeness have begun with St. Charles, Missouri, Cincinnati, Ohio, Las Vegas, Nevada, Tampa, Florida, and Dallas, Texas. During the year ended December 31, 2022, COR granted $308,671 to these various affiliates.

<u>Housing</u>

Eden Village provides 24/7 safe, supportive housing with wrap-around services for women and children experiencing homelessness to turn their lives around. COR holds the master leases on 15 units in *The 1300* affordable apartment community to provide permanent supportive housing for families looking to take the next steps towards independence. *The 345* Men's Housing opened in 2023 to provide supportive housing for men at-risk of homelessness, including veterans, reentry citizens, and youth ages 18-24. All residents have access to case management, meals, childcare, healthcare, workforce development, and life skills training. In 2022 COR and partners housed 351 women and children and fielded 6,174 housing requests.

<u>Health & Wellness</u>

The COR Kitchen serves nutritious meals three times a day, 365 days a year. COR's partnership with Mercy Care provides onsite access to medical, dental, and health services. Regular life skills classes expand opportunities for establishing healthy habits. In 2022, COR served 225,000 meals and partnered to provide 8,600 medical services and 2,050 counseling hours.

(Continued)

NOTE 1 – ORGANIZATION AND PURPOSE (Continued)

Youth Development

City Kids preschool offers a nurturing environment for children ages 6 weeks-5 years old. *City Kids* elementary delivers a safe space with youth-centered opportunities during out-of-school time. *City Youth* provides tutoring, mentorship, and healthy outlets for middle and high school students after school and in the summers. The *J17 Fund* provides post-secondary scholarships for students in the neighborhood. In 2022, COR impacted 511 youth and provided 20 scholarships for post -secondary studies.

Vocational Training

The Workforce Innovation Hub prepares underemployed residents for employment that increases their self-sufficiency. The Hub offers vocational training classes, workforce development, regular job fairs, and job placement services. The *Reentry Hub* provides additional support for individuals involved with the criminal justice system to successfully reenter the community. In 2022, the Hub graduated 322 students from job training and placed 727 community members in jobs. The Reentry Hub served 98 citizens.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies of COR is presented to assist in understanding the accompanying consolidated financial statements. The consolidated financial statements and accompanying notes are representations of COR's management. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the presentation of the accompanying consolidated financial statements.

Basis of Presentation

The consolidated financial statements of COR include the following entities that COR has both control and an economic interest in: City of Refuge South, Inc., located in Thomaston, Georgia; and Refuge Jamaica. All significant intercompany accounts and transactions have been eliminated in consolidation. Subsequently in 2023, City of Refuge West, located in Waco, Georgia will also be consolidated.

Use of Estimates

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

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor restrictions.
>
> *Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. COR did not have any net assets of a perpetual nature at December 31, 2022.

Concentration of Credit Risk

Financial instruments that potentially subject COR to concentrations of credit risk consist principally of cash accounts at financial institutions. At times, cash balances exceed federally insured amounts. COR has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements.

As of December 31, 2022, three donors accounted for 28%, 23% and 12% of pledges receivable. As of December 31, 2022, three vendors accounted for 49%, 16% and 13% of accounts payable. Two donors accounted for 20% and 12% of total contributed revenues during the year ended December 31, 2022. One vendor received payments of 16% of total expenses for the year ended December 31, 2022.

Investments

Investments consist of common stocks carried at fair value. Common stocks are valued at the closing price reported on the active market on which the individual investments trade. Realized and unrealized gains and losses are reflected in the accompanying Consolidated Statement of Activities as increases or decreases in net assets without donor restrictions.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measured on Recurring Basis

The carrying amounts of receivables, accounts payable and notes payable, are reported at values which COR believes are not significantly different from fair values. COR believes no significant credit risk exists with respect to any of its financial instruments.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

> *Level 1* - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
>
> *Level 2* - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
>
> *Level 3* - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value measurement hierarchy of COR's common stock held at December 31, 2022, is Level 1.

Pledges Receivable

Contributions, including unconditional pledges, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted using a risk-adjusted rate appropriate for the expected term of the promise to give. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible receivables is provided based upon management's judgement, including such factors as prior collection history, type of contribution and nature of fundraising activity.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment with values of $5,000 or more and a useful life longer than three years are recorded at cost, or, if donated, at their estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the assets and related accumulated depreciation accounts are eliminated, and any gain or loss is included in the accompanying Consolidated Statement of Activities.

Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets. Construction in progress is recorded at cost and is transferred to property and equipment accounts when useable or placed in service.

Estimated useful lives are as follows:

Furniture, fixtures and equipment	3-20 years
Building improvements	15-20 years
Buildings	30 years
Vehicles	10-20 years
Software	3 years

Deposits

Long-term deposits represent funds to be invested in long-term, tangible ministry resources.

Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying Consolidated Statement of Functional Expenses. COR incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. COR also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount or estimates of time and effort incurred by personnel.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

COR recognizes revenues in accordance with Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides a framework for evaluating whether the transfer of assets constitutes a contribution or an exchange transaction. The ASU also provides additional clarification as to whether or not a contribution is conditional.

Unrestricted contributions and in-kind contributions are recognized and reported as increases to net assets “without donor restrictions” in the accompanying Consolidated Statement of Activities in the fiscal year in which the donor makes the unconditional promise to give to COR. Contributions and in-kind contributions that are restricted by the donor as to their specified purpose or time period for use are recognized and reported as increases to net assets “with donor restrictions” in the accompanying Consolidated Statement of Activities in the fiscal year in which the donor makes the promise to give to COR. When a donor restriction expires or is satisfied, the related assets are reclassified from net assets “with donor restrictions” to net assets “without donor restrictions” in the accompanying Consolidated Statement of Activities.

Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Many individuals volunteer their time and perform a variety of tasks that assist COR's clients and fundraising activities. COR receives an estimated 5,000 volunteer hours per year. No amounts have been reflected in the accompanying consolidated financial statements for these contributed services since the contribution of these services did not meet the criteria for recognition.

Income Taxes

COR is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying consolidated financial statements do not include federal and state income taxes from COR’s activities. COR follows authoritative guidance which requires COR to evaluate its tax positions for any uncertainties based on the technical merits of the position taken. COR recognizes the tax obligation from an uncertain tax position only if it is more likely than not that the tax position will be upheld upon examination by taxing authorities. As of December 31, 2022, COR does not believe it has any uncertain tax positions. In the normal course of business, COR is subject to examination by the federal and state taxing authorities. In general, COR is no longer subject to tax examinations for tax years ended before December 31, 2019.

NOTE 3 – RECEIVABLES

Pledges Receivable

The present value of unconditional promises to give is included in the accompanying Consolidated Statement of Financial Position, net of an allowance for doubtful accounts of $534,264. All pledges are expected to be received within one year.

Employee Retention Credit Receivable

COR is eligible for the Employee Retention Credit ("ERC"), which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in March 2020. As modified, ERC provides eligible employers a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 70% of qualified wages paid to employees during the fiscal year 2021 for a maximum credit per employee of $7,000 for each calendar quarter. COR has filed for $429,267 of refunds of the ERC, and as of December 31, 2022, $39,684 of the refund has been received, and the remaining $389,583 is recorded as employee retention credit receivable at December 31, 2022.

Receivable from Sale of Land

During the year ended December 31, 2022, COR entered into an executed agreement to sell 6.94 acres of land to Atlanta Beltline, Inc., in exchange for a receivable of $4,000,000. Terms include COR's ability to ground lease the property for five years, solely for the purpose of developing a Low-Income Housing Tax Credit multi-family residential housing development on the property. As of the date of report issuance, official closing has not yet occurred. Net proceeds were designated to the Capital Campaign (Note 7).

Note Receivable

During the sale of an apartment complex in 2020, COR executed a note receivable from Westside Future Fund for $1,000,000. This note matures in 2032, although earlier receipt is expected. The note does not incur interest, and imputed interest has been deemed insignificant by management for recognition.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

Land	$ 1,018,569
Buildings and improvements	20,828,898
Furniture, fixtures, and equipment	3,068,204
Vehicles	592,680
	25,508,351
Less accumulated depreciation	(11,045,064)
	$ 14,463,287

NOTE 5 – NOTE PAYABLE

During 2021, COR renewed a note payable which bears a 3.99% interest rate and requires monthly principal and interest payments of $10,820 until June 30, 2026, at which time all unpaid principal and interest are due. The loan is secured by COR's headquarters and ministry outreach facility located in Atlanta. At December 31, 2022, outstanding borrowings under the note payable agreement totaled $1,691,304. Certain loan covenants require COR to provide an audit report no later than April 30 each year.

Future maturities of notes payable as of December 31, 2022, are:

2023	$ 63,281
2024	65,853
2025	68,529
2026	1,493,641
	$1,691,304

NOTE 6 – LINE OF CREDIT

During 2022, COR entered into a revolving line of credit with advances available up to $750,000 bearing interest at the prime rate set by the financial institution. Monthly interest only payments are due until July 31, 2023, at which time all unpaid principal and interest are due. As of December 31, 2022, the line of credit had not been utilized.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are not subject to appropriation or expenditure, and relate to the following projects:

Property for transitional housing for 15 years	$ 182,847
Capital Campaign	16,778,090
	$ 16,960,937

The Capital Campaign is designed to break down more barriers in Atlanta's Westside and provide opportunities for men, women, and children to escape poverty and thrive in the community. The campaign will consist of the following:

<u>Transformation Center</u>

City of Refuge owns an empty lot just a two-minute walk from campus. The vision is to build a new Transformation Center, a 36,000-square-foot, three-story building dedicated to providing economic, health, and wellness services to help residents, including veterans and returning citizens, achieve their full potential. The Transformation Center will include a 24/7 medical and mental health clinic for survivors of tracking and domestic violence, a new credit union, social entrepreneurship hub, and 20 units of affordable housing.

<u>Affordable Housing</u>

While City of Refuge has helped thousands transition to more stable living, leaving the safety of our campus is not always smooth. To address this need, COR intends to build a townhouse community just around the corner from campus. Additionally, COR will build two additional transitional housing complexes for survivors of domestic violence, sexual exploitation, trafficking, and incarceration.

<u>Education</u>

In the 30314 zip code community, the average student enters school 12-14 months behind their peers from higher-income brackets. COR provides accessible, tuition-free, enriching youth programs to set the stage for high-quality future learning and development. COR plans to expand the current middle and high school to serve more students and add all elementary grade levels to provide high-quality education so more kids can have brighter futures.

(Continued)

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

City of Refuge Communities

While COR will always remain focused on overcoming the historical injustice in Atlanta's Westside, COR has an incredible opportunity to help others put our proven and scalable model to work in their cities. Plans include the buildout of City of Refuge South, Inc., a sprawling rural campus in Thomaston, Georgia, to establish therapeutic options for those in need, including equine therapy, ropes course, climbing wall, sports fields, and more. COR will also build an Impact Training Center in Fairburn, Georgia, to provide a place of renewal, restoration, and retreat for those working in the nonprofit spaces. Funds will also go towards launching new locations.

Campus Improvements and Capacity Building

To continue serving each person with compassion and excellence, COR intends to invest in existing campus and programs at 1300 Joseph E Boone Blvd. Proposed improvements include building a Welcome Center, pavilion, new garden and outdoor area, improving IT infrastructure, upgrading 40 housing units in Eden Village, and adding new personnel.

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions of $250,000 have been designated by the Board of Directors to be used to support future programming initiatives.

NOTE 9 – IN-KIND CONTRIBUTION

For the year ended December 31, 2022, pledged financial assets recognized within the Consolidated Statement of Activities included the fair value of $400,000 for the deed to a house for the benefit of women released from prison, built on COR property. Subsequent to year end, when the house is completed and the house is deeded to COR to satisfy the pledge, COR will capitalize the building.

NOTE 10 – CONDITIONAL CONTRIBUTIONS

During the prior years, COR received two verbal contributions from the same individual that are conditional upon a subsequent sale of the contributor’s business, for the benefit of COR affiliate expansion. These are both considered conditional until the business is sold. The pledge for between 10-20% of the business’ eventual sales price, and COR’s conditional pledge proceeds have not been determined.

NOTE 11 – RETIREMENT PLAN

COR has a 403(b) plan ("the Plan") that is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") and covers substantially all employees who have completed at least ninety days of service and who are at least 21 years of age. Each year, participants may contribute amounts up to the maximum IRS allowable amount. Under the provisions of the Plan, COR may elect to make a discretionary contribution on behalf of eligible active participants. COR did not make any discretionary contributions in 2022.

NOTE 12 – OPERATING LEASE COMMITMENT

Effective as of January 1, 2022, COR adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update 2016-02, *Leases*. This new standard requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. The FASB decided that lessees will classify a lease as either a financing lease or an operating lease, based on whether the arrangement is effectively a purchase of the underlying asset. Leases that transfer control of the underlying asset to a lessee are classified as finance leases; lessees will classify all other leases as operating leases. In an operating lease, a lessee obtains control of only the use of the underlying asset, but not the underlying asset itself.

COR leases residences for individuals and families under a long-term non-cancelable operating lease agreement. The lease expires on September 1, 2023, and provides for three additional three-year renewal options. COR includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The operating lease provides for increases in future minimum annual rental payments. COR believes it is reasonably certain that the lease renewal options will be exercised, and has calculated its lease liability at the present value of payments through August 2032 of at least $15,650 per month.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, COR estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using applicable borrowing rates and the contractual lease term, and was 6.94% at date of implementation on January 1, 2022.

COR has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the year ended December 31, 2022, was $187,800. The future minimum lease payments under the noncancelable operating lease with terms greater than one year is $140,850 for the year ended December 31, 2023.

NOTE 13 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, COR granted $196,676 to Mid-Town Mission Church of God, operated and controlled by the COR CEO. The Mission Church provides spiritual oversight, and spiritual development for programming in COR, including worship services, pastoral care and consulting and more.

During the year ended December 31, 2022, COR granted $110,000 to City of Refuge Communities, operated and controlled by the COR CEO. This entity supports other nonprofit organizations that enhance the mission and scope of work of COR, and includes the Men Opposing Sex Trafficking program.

During the year ended December 31, 2022, COR granted $1,597,321 to House of Cherith, whose Executive Director is the daughter of the COR CEO, and a board member of COR. This entity serves as a safe and refreshing home for victims of sexual exploitation and trafficking in Atlanta, Georgia. Their goal is to provide women with the opportunity for rescue, restoration, and a chance to start a new life. House of Cherith originated as a program of COR.

NOTE 14 – LIQUIDITY AND AVAILABILITY

COR is substantially supported by contributions and donations from individuals, corporations and foundations. COR's President's Gathering fundraising event has pledges outstanding. The campaign received funds in support of specific programming and for the acquisition of assets for future programming. COR recognizes collection of its receivables for use in the management of its expenditures. In addition, COR's liquidity management policy and structure are designed to allow for financial assets to be available as its general expenditures, liabilities and other obligations become due. COR invests excess cash reserves in interest bearing accounts.

(Continued)

NOTE 14 – LIQUIDITY AND AVAILABILITY (Continued)

The Board also designates a portion of any operating surplus to its liquidity reserves as discussed in Note 8. The fund, established by the governing board, may be drawn upon in the event of an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

Cash	**$ 6,417,597**
Pledges receivable	**10,158,042**
Employee retention credit receivable	**389,583**
Receivable from sale of land	**4,000,000**
Other receivables	**284,260**
Investments	**697,520**
Total liquid assets	**21,947,002**
Board designation	**(250,000)**
Net assets with donor restrictions	**(16,960,937)**
Financial assets available to meet cash needs within one year	**$ 4,736,065**

NOTE 15 – SUBSEQUENT EVENTS

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

Subsequent to year end, COR has completed renovating an existing three-story brick building on the corner of Joseph E. Boone Boulevard and Chappell Road, a block from the COR campus, to provide housing with full wrap-around support for men at risk of homelessness. “The 345 Men’s Housing” is an affordable multifamily complex with 31 efficiency units that offers permanent supportive housing for veterans, reentering citizens, and youth ages 18 to 25 to create pathways of opportunity.

Subsequent to year end, Bright Futures Atlanta, Inc. granted all of its assets and certain liabilities used in operations to COR. Cash, investments, accounts receivable and the estimated fair value of fixed assets (primarily leasehold improvements) was valued at $2,137,395. This program will be called City School starting with the 2023-2024 school year.

These notes should be read only in connection with the accompanying consolidated financial statements and independent auditors' report.

CITY OF REFUGE, INCORPORATED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Federal Expenditures
U.S. Department of Labor		
Employment and Training Administration	17.268	$1,359,427
U.S. Department of Justice		
Second Chance Act Community-Based Reentry Program	16.812	252,494
U.S. Department of Education		
Elementary and Secondary School Emergency Relief Fund, BOOST community grant	84.425U	49,747
U.S. Department of Housing and Urban Development		
Emergency Solutions Grant Program	14.231	30,000
U.S. Department of Health and Human Services		
Division of Family and Children Services	93.558	129,137
U.S. Department of Homeland Security		
Emergency Food and Shelter Program	97.024	87,750
Total Expenditures of Federal Awards		$1,908,555

This schedule should only be read in connection with the accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

CITY OF REFUGE, INCORPORATED
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Refuge, Incorporated ("the Organization") and is presented on the accrual basis of accounting. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures also include a portion of costs associated with general activities of the Organization, which are allocated to awards under negotiated formulas commonly referred to as indirect cost rates.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 – INDIRECT COST RATE

The Organization's de minimis indirect cost rate is 10%.

These notes should only be read in connection with the accompanying independent auditors' report and schedule of expenditures of federal awards.

3097 E Shadowlawn Ave NE
Atlanta, GA 30305
www.marshalljones.com
404 231 2001

marshalljones
certified public accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
City of Refuge, Incorporated

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of City of Refuge, Incorporated ("the Organization"), which comprise the Consolidated Statement of Financial Position as of December 31, 2022, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 27, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marshall Jones

Atlanta, Georgia
April 27, 2023

3097 E Shadowlawn Ave NE
Atlanta, GA 30305
www.marshalljones.com
404 231 2001

marshalljones
certified public accountants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors of
City of Refuge, Incorporated

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of City of Refuge, Incorporated ("the Organization") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marshall Jones

Atlanta, Georgia
April 27, 2023

CITY OF REFUGE, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of Auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	NO
• Significant deficiencies identified that are not considered to be material weaknesses?	NO
• Noncompliance material to consolidated financial statements noted?	NO

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	NO
• Significant deficiencies identified that are not considered to be material weaknesses?	NO
Type of Auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with sec2 CFR 200.516(a)?	NO

Major Federal Programs

Assistance Listing Number	Name of Federal Program or Cluster
17.268	Employment and Training Administration

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as a low-risk auditee?	NO

CITY OF REFUGE, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III –FEDERAL AWARD FINDINGS

None noted.

3097 E Shadowlawn Ave NE
Atlanta, GA 30305
www.marshalljones.com
404 231 2001

marshalljones
certified public accountants

April 27, 2023

City of Refuge, Incorporated
1300 Joseph E. Boone Blvd NW
Atlanta, GA 30314

We have audited the consolidated financial statements of City of Refuge, Incorporated (the "Organization") as of and for the year ended December 31, 2022, and have issued our report thereon dated April 27, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 9, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you. No material weaknesses or significant deficiencies were noted during our financial and uniform guidance audit procedures.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Organization is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are conditional contributions, depreciation and its bad debt allowance. We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit. We received full cooperation of management and believe that we were given direct and unrestricted access to the Organization's books and records.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole, whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all corrected misstatements that were brought to the attention of management as a result of our audit procedures. Misstatements that we identified as a result of our audit procedures include: reclassing contribution in kind revenues and proceeds from sales of properties, recording the sale of property to the Beltline for a $4,000,000 accounts receivable as of December 31, 2022, along with the related gain on sale of property, and adjusting the client's initial calculation for adopting the new lease accounting standard, ASC 842, *leases*.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organization's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management.

Management’s Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters for the year under audit.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization’s auditors.

This report is intended solely for the information and use of those charged with governance, and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Marshall Jones

Marshall Jones