

**21<sup>st</sup> DISTRICT RECOVERY COURT, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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# **21<sup>st</sup> DISTRICT RECOVERY COURT, INC.**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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# Joe Osterfeld, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
21<sup>st</sup> District Recovery Court, Inc.  
Franklin, Tennessee

### Opinion

We have audited the accompanying financial statements of 21<sup>st</sup> District Recovery Court, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 21<sup>st</sup> District Recovery Court, Inc. as of December 31, 2021, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 21<sup>st</sup> District Recovery Court, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 21<sup>st</sup> District Recovery Court, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 21<sup>st</sup> District Recovery Court, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 21<sup>st</sup> District Recovery Court, Inc.'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.

Joe Osterfeld, CPA  
Columbia, Tennessee  
November 16, 2022

**21st District Recovery Court, Inc.**  
**Statement of Financial Position**  
**December 31, 2021**

**ASSETS**

**Current Assets**

Cash - checking	\$ 94,141
Cash - interest bearing	178,387
Grant receivable	19,657
Security deposits	3,400
Prepaid expenses	5,537
Total Current Assets	<u>301,122</u>

Furniture and Equipment	29,508
Less: Accumulated depreciation	<u>(26,300)</u>
	3,208

**TOTAL ASSETS**

**\$ 304,330**

**LIABILITIES**

**Current Liabilities**

Payroll taxes payable	\$ 4,360
Total Current Liabilities	<u>4,360</u>
Total Liabilities	4,360

**NET POSITION**

Without Donor Restrictions	<u>299,970</u>
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**TOTAL LIABILITIES AND NET POSITION**

**\$ 304,330**

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

**21st District Recovery Court, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

**SUPPORT AND REVENUE**

Grants	
Program/housing fees	\$ 217,547
Contributions	139,519
Court case income	5,328
Fund raising events	21,043
Interest income	55,609
<u>Total Support and Revenue</u>	<u>363</u>
	439,409

**EXPENSES**

Program expenses	369,981
Management and general expenses	74,180
Fundraising expenses	11,436
<u>Total Expenses</u>	<u>455,597</u>
Change in Net Position	(16,188)
Net Position, Without Donor Restrictions - January 1, 2021	<u>316,158</u>
Net Position, Without Donor Restriction - December 31, 2021	<u><u>\$ 299,970</u></u>

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

**21st District Recovery Court, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and wages	\$ 107,408	\$ 62,400	\$ -	\$ 169,808
Payroll taxes expense	8,949	4,772	-	13,721
Bank charges	269	-	-	269
Conferences and travel	8,806	-	-	8,806
Consulting	61,543	-	-	61,543
Depreciation	1,484	-	-	1,484
Dues and subscriptions	2,016	-	-	2,016
Fundraising Expense	-	-	11,436	11,436
Insurance	3,657	-	-	3,657
Monitoring	4,551	-	-	4,551
Occupancy	62,752	-	-	62,752
Other	29	-	-	29
Participant's expenses	4,287	-	-	4,287
Postage and delivery	385	-	-	385
Printing	3,682	-	-	3,682
Professional fees	-	5,130	-	5,130
Recovery House expenses	85,229	-	-	85,229
Small tools and equipment	443	-	-	443
Supplies - drug tests	11,863	-	-	11,863
Supplies - office	-	1,878	-	1,878
Website	2,628	-	-	2,628
Total Expenses	<u>\$ 369,981</u>	<u>\$ 74,180</u>	<u>\$ 11,436</u>	<u>\$ 455,597</u>

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

**21st District Recovery Court, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

<u>Cash Flows from Operating Activities</u>	
Increase (decrease) in net position	
Adjustment to reconcile net income:	\$ (16,188)
Depreciation	
(Increase) decrease in operating assets:	2,628
Grant receivable	
Security deposits	6,805
Prepaid expenses	1,100
Increase (decrease) in operating liabilities:	(373)
Accounts payable	
Taxes payable	(8,508)
Cash flow provided by operating activities	(248)
	<u>(14,784)</u>
<u>Cash Flows from Investing Activities</u>	
	<u>-</u>
<u>Cash Flows from Financing Activities</u>	
	<u>-</u>
Increase (decrease) in cash and cash equivalents	(14,784)
Cash and cash equivalents - January 1, 2021	287,312
Cash and cash equivalents - December 31, 2021	<u>\$ 272,528</u>

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



**21<sup>st</sup> District Recovery Court**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 1 – Summary of Significant Accounting Policies**

**Nature of Activities**

21<sup>st</sup> District Recovery Court, Inc. was incorporated under the laws of the State of Tennessee on September 21, 2001. It is a not-for-profit corporation and is a public benefit corporation. The purposes for which the Corporation was organized are to integrate in the four counties of Williamson, Hickman, Lewis, and Perry public support into governmental efforts directed at persons (1) convicted of non-violent crimes, and (2) assessed as chemically dependent (drugs and/or alcohol) and to provide support for governmental efforts, such as, program operating costs and emergency expenses for participants. General purposes for the Corporation are to operate for educational, charitable, and other purposes as will qualify it as an organization exempt from federal income tax. The Corporation is governed by a Board of Directors.

**Basis of Accounting**

The financial statements of Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant accounts receivable, accounts payable, and other liabilities.

**Basis of Presentation**

Financial Statement presentation follow US generally accepted accounting principles which require the Center to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by action of Corporation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

Cash includes petty cash and amounts in demand deposits and money market accounts. Cash, in excess of current requirements, is invested in interest-bearing accounts such as certificates of deposits. For purposes of the statements of cash flows, the Board considers cash and investments with an initial maturity of three months or less to be cash equivalents.

**Grants Receivable**

Grants receivable are stated at their net realizable value. It is the opinion of management that all of the receivables at fiscal year-end are collectible.

**21<sup>st</sup> District Recovery Court**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Property and Equipment**

Property and equipment additions in excess of \$1,000 are recorded at their cost or fair market value for donated items and depreciated over their estimated useful lives using the straight-line method.

**Functional Allocation of Expenses**

The costs of providing the services and other activities of the Center have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Salaries and related employee expenses are allocated to program, fundraising, and support service functions based on estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical or are allocated based on salaries. Building and occupancy costs are allocated on the basis of square footage. Depreciation is allocated on the basis of usage for furniture and equipment.

**Income Taxes**

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. The Corporation's Form 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2019, 2020 and 2021 are subject to examination by the IRS, generally for 3 years after they are filed. There are no examinations currently in process. Management has concluded that the Corporation has taken no uncertain tax positions as of December 31, 2021. Therefore, no provision for income taxes has been included in the Corporation's financial statements.

**Planned Major Maintenance Activities**

Costs or fair market value for donated items and services for planned major maintenance in excess of \$1,000 are treated as additions to property and equipment and depreciated over their estimated useful lives using the straight-line method. For the year ended December 31, 2021, there were no planned major maintenance activities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Note 2 – Cash and Credit Risk**

The Corporation's cash is deposited in checking and money market accounts at two banks. The Corporation did not have any funds deposited at either bank that exceeded the FDIC deposit insurance coverage at December 31, 2021.

**21<sup>st</sup> District Recovery Court**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 3 – Grants Receivable**

Grants and contracts receivable consist of grant receivables from the State of Tennessee.

**Note 4 – Furniture and Equipment**

Property and equipment consists of the following:

<u>Category</u>	<u>Useful Life</u>	<u>Cost or Basis</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and equipment	3-7	<u>29,508</u>	<u>26,300</u>	<u>3,208</u>

Depreciation expense for the year ended December 31, 2021 was \$1,484.

**Note 5 – Financial Dependence**

The Corporation is substantially funded by court fees (25.9) and grants (49.4%) from U.S. Department of Health and Human Services and the Tennessee Department of Health. A significant reduction in the level of this support, if this were to occur, may have an adverse effect in the Agency's programs and activities.

In addition, the grants prescribe allowable expenditure guidelines with which Center must comply. The grants are received prospectively, subject to subsequent verification of the incurring of allowable expenditures or provision of qualifying services.

**Note 6 – Donated Services**

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

**Note 7 – Operating Leases**

In August 2016, the Corporation signed a ten-year lease for an office building which commenced October 1, 2017 with one renewal option for five years. Base rent for three years is \$45,000 annually to be paid in monthly installments of \$3,750. Rent for years 4 through 10 shall be increased annually based on a Consumer Price index formula. Additional rent consists of real estate taxes, utilities, and operating expenses related to maintenance, permits, licenses, and insurance premium coverage up to \$2,500 per year.

**21<sup>st</sup> District Recovery Court**  
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Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 45,000
2023	\$ 45,000
2024	\$ 45,000
2025	\$ 45,000
2026	\$ 26,250

On July 4, 2019, a one-year lease with Shuff Family Partnership was entered into at \$800 per month payable in advance, located at 4101 Columbia Avenue, Apartment #201, Franklin, Tennessee. At expiration of the lease, the lease converts to a month-to-month lease and each party shall have the right to terminate the lease by giving at least one month's written notice to the other party.

The Corporation leases various apartments to provide certain participants lodging from the Community Housing Partnership of Williamson County. The leases have been entered into over a period of years for one year renewal dates. Effective October 1, 2019, all leases were changed to a one-year term of October 1 through September 30 of each year. A late fee of 10% of the rent amount will be assessed on the 5<sup>th</sup> business day if not paid. The participant tenant rent, which includes water and sewer fees, is to be paid monthly.

Apartments leased at December 31, 2021 are as follows:

<u>Location</u>	<u>Term of Lease</u>	<u>Monthly Rent</u>
248 Chestnut	10-1-21/9-30-22	\$ 1,049
262 Chestnut	10-1-21/9-30-22	\$ 1,049
264 Chestnut	10-1-21/9-30-22	\$ 1,049
759 #201 Mt. Hope	10-1-21/9-30-22	\$ 1,198
548A Edgewood	10-1-21/9-30-22	\$ 840

**Note 8 – Covid-19 Outbreak**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of corona virus originating in Wuhan, China (the Covid-19 outbreak) and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the Covid-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the Covid-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Corporation's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

**21<sup>st</sup> District Recovery Court**  
**Notes to the Financial Statements**  
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Given the daily evolution of the Covid-19 outbreak and the global responses to curb its spread, the Center is not able to fully estimate the effects of the Covid-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year 2022.

Although the Corporation is not able to estimate the full effects of the Covid-19 outbreak, management does believe they did incur a 48% (\$87,229) reduction in drug court fees for the current fiscal year. The effects on future years, if any, has not been determined.

**Note 9 – Liquidity and Availability of Financial Assets**

The following reflects Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end	\$ 301,122
Less: Those unavailable for general expenditures	
within one year, due to:	
Donor restrictions or board designations	<u>          0</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$ 301,122</u>

**Note 10 – Date of Management Review**

Management has evaluated subsequent events through November 16, 2022, which is the date the financial statements were available to be issued. No material subsequent events have occurred that need to be disclosed.