

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

**DECEMBER 31, 2020 AND 2019**

**Audited  
Financial  
Statements**

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**INDEPENDENT AUDITOR'S REPORT**

June 25, 2021

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of 21<sup>st</sup> District Recovery Court, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net position— modified cash basis as of December 31, 2020 and 2019, and the related statement of support, revenue, and expenses – modified cash basis-and cash flow for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

**Auditor's 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 auditor's 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 and 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 assets, liabilities, and net position of 21<sup>st</sup> District Recovery Court, Inc., as of December 31, 2020 and 2019, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Parsons and Associates*

Parsons and Associates

**21<sup>st</sup> District Recovery Court, Inc.**  
**Statement of Assets, Liabilities and**  
**Net Position – Modified Cash Basis**  
**December 31**

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash – checking	\$ 20,861	\$ 11,098
Cash – interest bearing	266,451	237,349
Grants receivable	26,462	19,295
Security deposits	4,500	3,400
Prepaid expenses	5,164	5,255
<u>Total Current Assets</u>	<u>323,438</u>	<u>276,397</u>
<u>Furniture and Equipment</u> – net of accumulated depreciation	<u>4,692</u>	<u>5,491</u>
<u>Total</u>	<u>\$ 328,130</u>	<u>\$ 281,888</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 3,084	\$ 5,443
Payroll taxes payable	4,608	0
Accrued taxes & property	4,280	0
<u>Total Current Liabilities</u>	<u>11,972</u>	<u>5,443</u>
<u>NET POSITION</u>		
<u>Without donor restrictions</u>	<u>316,158</u>	<u>276,445</u>
<u>Total</u>	<u>\$ 328,130</u>	<u>\$ 281,888</u>

See accompanying notes and auditor's report.

**21<sup>st</sup> District Recovery Court, Inc.**  
**Statement of Unrestricted Revenues, Expenses and**  
**Other Changes in Net Position – Modified Cash Basis**  
**Year Ended December 31**

	<u>2020</u>	<u>2019</u>
<u>Support and Revenue</u>		
Grants	\$ 187,557	\$ 174,106
Program/housing fees	52,012	67,453
Contributions	4,040	5,384
Court case income	180,090	108,174
Fund raising events	41,678	58,656
Interest income	1,457	3,564
PPP revenue	40,074	0
<u>Total Support and Revenue</u>	<u>506,908</u>	<u>417,337</u>
<u>Expenses</u>		
Consulting	72,689	56,900
Salaries and wages	172,934	192,401
Payroll taxes	13,843	10,955
Rent – grant	151,420	160,044
Supplies – drug tests	10,613	18,082
Monitoring	3,006	2,932
Supplies – office	2,649	1,048
Training	0	581
Travel and entertaining	1,824	2,865
Participants emergency expenses	8,677	1,783
Participant's recreational expenses	846	2,104
Graduation	100	231
Fundraising expenses	2,356	5,748
Dues and subscriptions	1,572	1,917
Insurance	6,936	5,510
Property taxes	4,280	0
Postage and delivery	279	463
Telephone, internet and website	284	2,279
Professional fees	7,805	3,775
Bank charges	634	152
Printing	2,859	3,573
Other	105	211
Depreciation	1,484	1,383
<u>Total Expenses</u>	<u>467,195</u>	<u>474,934</u>
<u>Change in Net Assets</u>	39,713	(57,597)
Net Position – January 1	276,445	334,042
Net Position – December 31	<u>\$ 316,158</u>	<u>\$ 276,445</u>

See accompanying notes and auditor's report.

**21<sup>st</sup> District Recovery Court, Inc.**  
**Statement of Cash Flows – Modified Cash Basis**  
**Year Ended December 31**

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Increase (decrease) in net position	\$ 39,713	\$ 57,597
Adjustment to reconcile net income:		
Depreciation	1,484	1,383
(Increase) decrease in operating assets		
Grants receivable	(7,167)	2,444
Security deposits	(1,100)	1,100
Prepaid expenses	91	(1,371)
Increase (decrease) operating liabilities in:		
Account payable	(2,359)	1,815
Taxes payable	8,888	(6,294)
Cash flows from operations	<u>39,550</u>	<u>56,674</u>
 Cash flows from investing activities		
Purchase of fixed assets	(685)	0
 Increase (decrease) in cash and cash equivalents	38,865	(56,674)
 Cash and cash equivalents – beginning of year	248,447	305,121
 Cash and cash equivalents – end of year	<u>\$ 287,312</u>	<u>\$ 248,447</u>

See accompanying notes and auditor's report.

**21<sup>st</sup> District Recovery Court, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**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.

**Basis of Accounting**

The financial statements of the Corporation have been prepared on the modified cash basis method, which is a comprehensive basis of accounting other than generally accepted accounting principles. Modifications to the cash basis of accounting include recording depreciation on equipment, grants receivable, and accounts payable.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, net position and revenues, and expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net position of the Organization are classified and reported as follows:

**Unrestricted Net Position**

Net assets that are not subject to imposed stipulations.

**Temporarily Restricted Net Position**

Net assets subject to imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Corporation had no temporarily restricted net assets at December 31, 2020 and 2019.

**Permanently Restricted Net Position**

Net assets subject to imposed stipulations that they be maintained permanently by the Organization. Generally, these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Corporation had no permanently restricted net assets at December 31, 2020 and 2019.

**Concentration of Revenue**

The following is a summary of revenue presented as a percentage of total revenue:

	<u>2020</u>	<u>2019</u>
Grants	37%	42%
Program fees	10%	16%
Contributions	1%	1%
Court case fees	36%	26%
Fund raising events	8%	14%
Other income	8%	1%
<u>Total</u>	<u>100%</u>	<u>100%</u>

**21<sup>st</sup> District Recovery Court, Inc.**  
**Notes to Financial Statements**  
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**Income Tax Status**

21<sup>st</sup> District Recovery Court, Inc. qualifies as a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, therefore, has no provision for federal income taxes. In addition, the Organization has been classified as an organization other than a private foundation under Section 509(a)(1).

**NOTE 2 GRANTS RECEIVABLE**

Grants receivable consists of amounts due from various grants at year end but not received.

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost, when purchased, or if received as in-kind contributions, at fair market value at the date of the donation. The policy is to capitalize items costing in excess of \$500.

Depreciation of plant assets is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives of office equipment are 5 years.

A summary of property and equipment at December 31 is as follows:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 29,508	\$ 28,823
Less accumulated depreciation	<u>24,816</u>	<u>23,332</u>
	<u>\$ 4,692</u>	<u>\$ 5,491</u>

**NOTE 4 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 5 ESTIMATES**

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and reported revenue and expenses. Actual results could differ from these reported amounts.

**NOTE 6 OPERATING LEASE.**

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.

Effective July 4, 2019, a one year lease with Shuff Family Partnership was entered into at \$800 per month payable in advance, located at 4108 Columbia Avenue, Apartment #201, Franklin, Tennessee. At expiration of 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



**21<sup>st</sup> District Recovery Court, Inc.**  
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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 tenant rent is to be paid monthly and water and sewer fees will be included in the rental fees.

Tenants are required to report major property issues within 48 hours or the renter may be held financially responsible.

The apartments leased at December 31, 2020 are:

	<u>Term of Lease</u>	<u>Rent</u>
248 Chestnut	10-1-2020/9-30-2021	\$1,049
262 Chestnut	10-1-2020/9-30-2021	\$1,049
264 Chestnut	10-1-2020/9-30-2021	\$1,049
759 #201 Mt Hope	10-1-2020/9-30-2021	\$1,198
548 A Edgewood	10-1-2020/9-30-2021	\$ 840

**NOTE 7 INCOME TAXES**

The accounting standard of accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Corporation may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax position include the tax-exempt status of the Corporation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2020 and 2019.

The Corporation files its forms 990 in the U. S. federal jurisdiction. The Corporation is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

**NOTE 8 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 28, 2021, the date on which the financial statements were to be issued. No material events were noted.