

**DISMAS, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2021 AND 2020**

**DISMAS, INC.  
FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2021 AND 2020**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Dismas, Inc.

We have audited the accompanying financial statements of Dismas, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dismas, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*LeMonche, Betyler & Dame, PLLC*

August 20, 2021

**DISMAS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

**ASSETS**

	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 57,482	\$ 394,856
Pledges receivable, net allowance of \$ 1,451 and \$ 4,271 in 2021 and 2020, respectively	8,602	28,649
Prepaid expenses	<u>13,813</u>	<u>734</u>
Total current assets	79,897	424,239
<b>PROPERTY AND EQUIPMENT, net</b>	<u>10,865,250</u>	<u>10,561,961</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,945,147</u></u>	<u><u>\$ 10,986,200</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,058	\$ 59,280
Accrued liabilities	54,486	78,208
Current portion of long-term debt	220,792	132,972
Line of credit	<u>150,000</u>	<u>-</u>
Total current liabilities	436,336	270,460
Long-term debt	<u>4,851,134</u>	<u>5,160,403</u>
Total liabilities	<u>5,287,470</u>	<u>5,430,863</u>
<b>NET ASSETS</b>		
Without donor restrictions	<u>5,657,677</u>	<u>5,555,337</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 10,945,147</u></u>	<u><u>\$ 10,986,200</u></u>

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

**DISMAS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>			<b>2020</b>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
Contributions and grants	\$ 1,099,506	\$ -	\$ 1,099,506	\$ 3,125,813	\$ -	\$ 3,125,813
Governmental grants	518,277	-	518,277	125,394	-	125,394
Fundraising events	385,490	-	385,490	199,268	-	199,268
Program service fees	122,240	-	122,240	12,902	-	12,902
In-kind revenue	25,797	-	25,797	22,200	-	22,200
Miscellaneous income	2	-	2	274	-	274
Net assets released from restrictions	-	-	-	200,000	(200,000)	-
Total revenues and other support	<u>2,151,312</u>	<u>-</u>	<u>2,151,312</u>	<u>3,685,851</u>	<u>(200,000)</u>	<u>3,485,851</u>
Expenses:						
Program services	1,400,179	-	1,400,179	912,729	-	912,729
Management and general	384,056	-	384,056	216,347	-	216,347
Fundraising	264,737	-	264,737	187,885	-	187,885
Total expenses	<u>2,048,972</u>	<u>-</u>	<u>2,048,972</u>	<u>1,316,961</u>	<u>-</u>	<u>1,316,961</u>
Increase (decrease) in net assets	<u>102,340</u>	<u>-</u>	<u>102,340</u>	<u>2,368,890</u>	<u>(200,000)</u>	<u>2,168,890</u>
NET ASSETS, BEGINNING OF THE YEAR	<u>5,555,337</u>	<u>-</u>	<u>5,555,337</u>	<u>3,186,447</u>	<u>200,000</u>	<u>3,386,447</u>
NET ASSETS, END OF THE YEAR	<u>\$ 5,657,677</u>	<u>\$ -</u>	<u>\$ 5,657,677</u>	<u>\$ 5,555,337</u>	<u>\$ -</u>	<u>\$ 5,555,337</u>

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

DISMAS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 620,168	\$ 77,521	\$ 77,521	\$ 775,210	\$ 388,479	\$ 48,561	\$ 48,561	\$ 485,601
Depreciation	252,916	28,102	-	281,018	59,259	6,584	-	65,843
Interest expense	184,994	20,555	-	205,549	89,464	9,940	-	99,404
Professional fees	133,163	38,944	16,631	188,738	36,205	67,717	4,004	107,926
Marketing	-	-	107,886	107,886	-	-	58,545	58,545
Residential support	97,840	-	-	97,840	80,740	-	-	80,740
Utilities	76,200	8,468	-	84,668	31,490	3,499	-	34,989
Technology services	62,887	6,988	-	69,875	-	-	-	-
Payroll taxes	41,030	5,128	5,129	51,287	27,232	3,404	3,404	34,040
Fundraising costs	-	-	46,611	46,611	-	-	50,810	50,810
Insurance	31,147	3,461	-	34,608	37,961	20,441	-	58,402
Dues and subscriptions	2,606	11,727	11,726	26,059	1,262	5,679	5,679	12,620
Office expense	16,337	1,815	-	18,152	7,376	17,212	-	24,588
Maintenance	15,730	-	1,748	17,478	12,331	1,542	1,542	15,415
Bad debt	7,220	7,220	-	14,439	-	-	-	-
Telephone and cable	12,648	1,405	-	14,053	10,251	1,139	-	11,390
Meetings	4,300	538	538	5,376	1,856	1,856	14,844	18,556
Credit card processing and bank fees	2,468	2,468	-	4,936	-	3,974	-	3,974
Miscellaneous	1,319	1,039	-	2,358	-	6,710	-	6,710
Staff training	1,160	385	-	1,545	16,740	5,580	-	22,320
Postage	853	95	-	948	621	124	496	1,241
Travel	304	34	-	338	9,969	1,108	-	11,077
Rent	-	-	-	-	101,493	11,277	-	112,770
	<u>\$ 1,565,290</u>	<u>\$ 215,893</u>	<u>\$ 267,790</u>	<u>\$ 2,048,972</u>	<u>\$ 912,729</u>	<u>\$ 216,347</u>	<u>\$ 187,885</u>	<u>\$ 1,316,961</u>

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

**DISMAS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 102,340	\$ 2,168,890
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	281,018	65,843
Donated revenue	(25,797)	(22,200)
Decrease in pledges receivable, net	20,047	10,072
(Increase) decrease in prepaid expenses	(13,079)	14,766
Decrease in accounts payable	(48,222)	(212,069)
Increase (decrease) in accrued liabilities	(23,722)	38,162
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>292,585</u>	<u>2,063,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(558,510)</u>	<u>(6,506,699)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(558,510)</u>	<u>(6,506,699)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(221,449)	-
Proceeds from long-term debt	-	4,187,290
Proceeds from (payments on) line of credit, net	<u>150,000</u>	<u>(145,500)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(71,449)</u>	<u>4,041,790</u>
NET DECREASE IN CASH	(337,374)	(401,445)
CASH, BEGINNING OF THE YEAR	<u>394,856</u>	<u>796,301</u>
CASH, END OF THE YEAR	<u><u>\$ 57,482</u></u>	<u><u>\$ 394,856</u></u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
CASH PAID DURING THE YEAR FOR INTEREST	<u><u>\$ 223,241</u></u>	<u><u>\$ 81,712</u></u>
<u>NONCASH INVESTING ACTIVITIES</u>		
PROPERTY AND EQUIPMENT ACQUIRED VIA CAPITAL CONTRIBUTIONS	<u><u>\$ 25,797</u></u>	<u><u>\$ 22,200</u></u>

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



**DISMAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of the Organization's significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are a representation of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Activities

Dismas, Inc. (the "Organization") is a re-entry facility that offers a transformational and supportive community for men newly released from prison who face challenges and obstacles as they transition back into society. The Organization's programming is based on four pillars: Basic Needs which covers food, shelter, clothing and transportation; Health and Well-being which cover physical, dental and eye exams, mental health counseling and addiction support services, along with wellness classes to improve physical and mental well-being; Life Skills which case managers work with residents on short and long term goals, transition plans and assist with skill development; and Legal Support which residents meet with the Legal Aid Society to address expungements, child support, child custody, and other legal matters and an attorney who specializes in driver's license restoration.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual method of accounting.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

**DISMAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables

In previous years, pledges receivable were stated at the amount the Organization expects to collect from outstanding balances. The Organization provided for estimated uncollectible receivables through bad debt expense and a credit to an allowance based on its assessment of the current status of individual accounts and historical write-off experience. Balances that were still outstanding after the Organization had used reasonable collection efforts were written off through a charge to the valuation allowance and a credit to pledges receivable.

Property and Equipment

Property and equipment are reported at cost and include improvements that significantly add to utility or extend useful lives and exceed \$1,000. Costs of maintenance and repairs are charged to expense as incurred. Assets are depreciated using a straight-line basis to allocate cost over their estimated useful lives of 5-7 years for vehicles, furniture and equipment and over 15 - 40 years for buildings and improvements. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in income for the period. A gain on trade-in is applied to reduce the cost of the new acquisition.

Long-Lived Assets

The Organization periodically reviews the values assigned to long-lived assets to determine if any impairments are other than temporary. Management believes that the long-lived assets in the statements of financial position are appropriately valued.

Contributions

All contributions are considered to be without donor restriction unless specifically stated by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as net assets without donor restriction.

Grants

Grant revenues are recognized when earned. Grants receivable represent the difference between amounts earned and amounts received.

**DISMAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donated Material and Services

Contributions of donated material that are useable for program services, fundraising, and support of management and general functions are recorded at their estimated fair values in the period received. Contributions of donated services requiring specialized skills and which would typically need to be purchased if not donated, are recorded at their estimated fair values in the period received.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. As of June 30, 2021, the Organization has no donated property or equipment which is restricted.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and files an IRS Form 990. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including the position that the Organization continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2021, the Organization has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Organization has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed.

Functional Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits, payroll taxes, meetings and professional fees, which are allocated on the basis of estimates of time and effort, and rent, maintenance, depreciation, insurance and utilities are allocated on the basis of estimated square footage utilized by each program service and by supporting services. All other expenses are directly assigned to their related program.

**DISMAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Events Occurring After Reporting Date

The Organization evaluated events and transactions that occurred after June 30, 2021, through the date of the issued financial statements. During the period there were no material recognizable subsequent events that required recognition in the disclosures to the June 30, 2021 financial statements.

**NOTE 2 - CONCENTRATION OF CREDIT RISK AND REVENUE SOURCES**

The Organization maintains cash balances in banks insured by the Federal Deposit Insurance Corporation up to \$250,000. In the normal course of business, the Organization may have deposits that exceed the insured balance. At June 30, 2021, the Organization had no cash balances that were uninsured by the Federal Deposit Insurance Corporation.

Contributions from one organization comprised approximately 65% of total revenue for the year ended June 30, 2021. Contributions from one organization comprised approximately 75% of total revenue for the year ended June 30, 2020.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<b>2021</b>	<b>2020</b>
Land	\$ 1,257,862	\$ 1,257,862
Buildings	9,248,125	8,720,402
Furniture and equipment	658,833	650,147
Vehicles	67,184	32,552
Improvements	<u>13,266</u>	<u>-</u>
	10,660,963	10,660,963
Less accumulated depreciation	<u>(380,020)</u>	<u>(99,002)</u>
Net property and equipment	<u><u>\$ 10,865,250</u></u>	<u><u>\$ 10,561,961</u></u>

Depreciation expense was \$281,018 and \$65,843 for the years ended June 30, 2021 and 2020, respectively.

**DISMAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 4 - LINE OF CREDIT**

The Organization had a \$300,000 line of credit secured by the assets account of the Organization that has a variable interest rate that equals the prime rate plus .75%. The outstanding balance was \$150,000 at June 30, 2021. There was no balance due at June 30, 2020.

**NOTE 5 - LONG-TERM DEBT**

The Organization opened a construction loan in November 2018 for \$5,000,000 to help finance construction of a new facility. The construction loan is collateralized by the Organization's land and facilities. The loan accrues interest at a fixed rate of 5.79%. The Organization was originally scheduled to make interest only payments until October 2020. Beginning in October 2020, the Organization was scheduled to make principal and interest payments in monthly installments of \$35,218 through April 2023 with a final balloon payment due in May 2023. The Organization reached a standstill agreement with the bank due to the stress on the economy due to COVID-19 pandemic. The bank deferred interest for a standstill period of March 27, 2020 to May 27, 2020 with the balance accrued due on the loan at maturity. The outstanding balance was \$4,921,926 and \$5,072,575 at June 30, 2021 and 2020, respectively.

The Organization opened a loan with the Small Business Administration for \$150,000 to help finance construction of a new facility. The loan is collateralized by all assets of the Organization. The loan accrues interest at a fixed rate of 2.75%. The Organization was scheduled to make principal and interest payments in monthly installments of \$641 in June 2022 with the final payment due in May 2050. The outstanding balance was \$150,000 at June 30, 2021 and 2020.

Maturities of long-term debt is as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2022	\$ 220,792
2023	4,701,134
2024	2,639
2025	3,686
2026	3,788
Thereafter	<u>139,887</u>
Total	<u>\$ 5,071,926</u>

**DISMAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 6 - PAYCHECK PROTECTION PROGRAM**

The Organization received an unsecured note payable with First Horizon bank dated April 22, 2020 under the Paycheck Protection Program ("PPP") through the United States Small Business Administration. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The balance of the note payable at June 30, 2020 was \$70,900. The note was forgiven by the Small Business Administration on April 20, 2021.

The Organization received the second installation of the PPP loan, an unsecured note payable with First Horizon bank in the amount of \$120,547, dated March 5, 2021. The Organization currently believes that its use of the loan proceeds meet the conditions for forgiveness of the loan and is included as governmental grants on the Statements of Activities.

**NOTE 7 - BOARD DESIGNATED FUNDS**

The Organization's governing board has designated from net assets without donor restrictions funds for the following purposes as of June 30, 2021 and 2020.

	<b>2021</b>	<b>2020</b>
Quasi-endowment	<u>\$ -</u>	<u>\$ 4,827</u>

**NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization has \$66,084 of financial assets available within one year of the statement financial position date consisting of cash of \$57,482, and net accounts receivable of \$8,602. The Organization has a goal to maintain financial assets, which consist of cash on hand, to meet 45 days of normal operating expense, which are, on average, approximately \$220,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as described in Note 4, the Organization has a line of credit in the amount of \$300,000, which could be drawn upon in the event of an unanticipated liquidity need.

**DISMAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

*Contingencies*

The Organization receives a substantial amount of its support and revenues from government agencies. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities. In addition, the funding received by the Organization from governmental agencies is subject to audit and retroactive adjustment.