

AUDITED FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC.

December 31, 2014

Audited Financial Statements

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December 31, 2014

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Independent Auditors' Report

To the Board of Directors
ReMerge of Oklahoma County, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of ReMerge of Oklahoma County, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations, cash flows and classification of functional expenses.

We conducted our audit of the statement of financial position 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 statement of financial position is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 on the statement of financial position.

Basis for Disclaimer of Opinion on Results of Operations, Cash Flows and Classification of Functional Expenses

As discussed in Note A, the Organization utilized a third-party as a fiscal agent for a portion of 2014 prior to obtaining its 501(c)(3) status. This resulted in some of the Organization's financial activity being reflected in the financial statements of the fiscal agent and limited access to certain source documents relating to the Organization's 2014 financial activity. As a result, we were unable to obtain sufficient appropriate audit evidence to determine whether the balances in the accompanying statements of activities, cash flows and functional expenses were fairly presented in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Results of Operations, Cash Flows and Classification of Functional Expenses

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations, cash flows and classification of functional expenses for the year ended December 31, 2014. Accordingly, we do not express an opinion on the results of operations, cash flows and classification of functional expenses for the year ended December 31, 2014.

Opinion on the Statement of Financial Position

In our opinion, the statement of financial position referred to in the first paragraph presents fairly, in all material respects, the financial position of the Organization as of December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

Bledsoe + Assoc., PLLC

Edmond, Oklahoma
December 14, 2015

REMERGE OF OKLAHOMA COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

	December 31 2014
ASSETS	
Cash and cash equivalents	\$ 363,548
Contributions receivable	17,500
Other receivables	993
Prepaid expenses	6,203
Deposits	900
Database development	<u>11,641</u>
Total assets	<u>\$ 400,785</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	\$ 59,157
Accrued payroll	1,888
Accrued leave	<u>9,989</u>
Total liabilities	71,034
Net Assets:	
Unrestricted	272,967
Temporarily restricted	<u>56,784</u>
Total net assets	<u>329,751</u>
Total liabilities and net assets	<u>\$ 400,785</u>

See notes to financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.

STATEMENT OF ACTIVITIES

	Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUES			
Contributions - Public	\$ 565,279	\$ 115,000	\$ 680,279
Contributions - United Way and CFO	404,551	-	404,551
Merchandise sales	346	-	346
Interest income	70	-	70
In-kind - United Way	76,620	-	76,620
In-kind - NorthCare	141,431	-	141,431
Net assets released from restrictions	58,216	(58,216)	-
TOTAL SUPPORT AND OTHER REVENUES	1,246,513	56,784	1,303,297
EXPENSES			
Program services	657,770	-	657,770
Administrative and general	315,130	-	315,130
Fundraising	646	-	646
TOTAL EXPENSES	973,546	-	973,546
CHANGE IN NET ASSETS	272,967	56,784	329,751
NET ASSETS AT BEGINNING OF YEAR	-	-	-
NET ASSETS AT END OF YEAR	\$ 272,967	\$ 56,784	\$ 329,751

See notes to financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.

STATEMENT OF CASH FLOWS

	Year Ended December 31 <u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 329,751
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Contributions receivable	(17,500)
Other receivables	(993)
Prepaid expenses	(6,203)
Deposits	(900)
Accounts payable	59,157
Accrued payroll	1,888
Accrued leave	9,989
Net cash provided by operating activities	<u>375,189</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments on development of database	<u>(11,641)</u>
Net cash used in investing activities	<u>(11,641)</u>
NET INCREASE IN CASH	363,548
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 363,548</u>

See notes to financial statements.

REMERGE OF OKLAHOMA COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2014			
	Program	Administrative		Total
	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Expenses</u>
Salaries and personnel	\$ 235,510	\$ 190,419	\$ -	\$ 425,929
Food and kitchen	14,648	-	-	14,648
Housing	153,328	-	-	153,328
Transportation	42,971	-	-	42,971
Medical and dental	16,623	-	-	16,623
Public relations	7,567	-	-	7,567
Continuing care	11,334	-	-	11,334
Rent	-	2,500	-	2,500
Training	-	1,502	-	1,502
Supplies	-	2,288	-	2,288
Legal and professional	-	33,000	-	33,000
Insurance	-	5,482	-	5,482
In-kind - United Way	-	76,620	-	76,620
In-kind - NorthCare	141,431	-	-	141,431
Other	34,358	3,319	646	38,323
	<u>\$ 657,770</u>	<u>\$ 315,130</u>	<u>\$ 646</u>	<u>\$ 973,546</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC.

December 31, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: ReMerge of Oklahoma County, Inc. (the "Organization") is a nonprofit corporation located in Oklahoma City, Oklahoma. The Organization applied for its 501(c)(3) status in January of 2014 which was approved by the Internal Revenue Service ("IRS") on August 14, 2014, with an effective date of January 13, 2014. The IRS deemed the Organization to be a public charity.

The Organization was formed to provide a female diversion program that is an alternative to incarceration for mothers in Oklahoma County who are charged with nonviolent crimes. The Organization serves only women with minor children or women who are pregnant. As part of operating the program, the Organization provides various services to participants including transportation, housing, medical and dental, educational and employment training, and evidence based treatment for trauma, mental health and substance abuse. Children and family services are also provided to increase family support and stability. The Organization operates through a blending of public and private funding. The Organization partners with the Oklahoma Department of Corrections, the Oklahoma County District Attorney, the Oklahoma County Public Defender and the Oklahoma Department of Mental Health and Substance Abuse Services. Participants enter into the Organization's program based on recommendations from the Oklahoma County District Attorney and the Oklahoma County Public Defender.

The Organization was operated under the United Way of Central Oklahoma ("United Way") from its inception in May of 2011 through February of 2014. United Way accepted contributions on behalf of the Organization and handled all accounting and administrative functions of the Organization.

In March of 2014, the Organization entered into a fiscal sponsorship agreement with Communities Foundation of Oklahoma ("CFO") to serve as the fiscal agent of the Organization until it received approval of its 501(c)(3) application from the IRS. As part of the agreement, CFO accepted contributions made for the benefit of the Organization and deposited such contributions to a fund established by CFO for the Organization. CFO managed and invested the contributed funds; issued required acknowledgement letters to donors for contributions received and handled the authorizing and paying of expenses from the Organization's fund. Although the Organization received approval of its 501(c)(3) application from the IRS in August of 2014, it chose to have CFO to continue to serve as its fiscal agent until December of 2014 at which time CFO transferred the balance of the Organization's fund into the Organization's bank account at BancFirst.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred. Revenues earned but not received and expenses incurred but not paid are recorded as receivables and payables, respectively, on the statement of financial position. Net assets represent cumulative revenue over expenses incurred.

NOTES TO FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC.

December 31, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Presentation: Accounting principles generally accepted in the United States of America (“GAAP”) requires the Organization to report information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted net assets – Represents resources that are generally not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted net assets – Net assets subject to donor-imposed restrictions 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.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization did not have any permanently restricted net assets at December 31, 2014.

Contributions, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization had no cash equivalents as of December 31, 2014.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

NOTES TO FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC.--Continued

December 31, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Contributions Receivable: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits. Unconditional promises to give which are due in more than one year, are discounted to net present value by the Organization's management using the risk free rate at the time the unconditional promise to give was made. The Organization considers these contributions receivable to be temporarily restricted support if their use is restricted for specific purposes. As of December 31, 2014, contributions receivable of \$17,500 consists of amounts due from one donor and the Organization expects the receivable to be fully collected during 2015.

Concentrations of Credit Risk: The Organization has concentrated its credit risk for cash by maintaining deposits at a financial institution which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management does not consider this to be an unreasonable risk of loss.

Donated Services: Donated services consisting of specialized skills are recorded at fair market value based on standardized hourly rates as approved by the Organization's management.

Tax Status: The Organization qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue code, and therefore has no provision for federal or state income taxes.

GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. The Organization is subject to routine audits by taxing jurisdictions. However, there are currently no audits for any tax periods in progress. The Organization has not yet filed with any U.S. federal, state or local tax authorities since its inception in January of 2014.

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 the reported amounts of 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.

Fundraising Costs: The Organization's policy is to expense the costs of fundraising as incurred. For the year ended December 31, 2014, fundraising expense was approximately \$640.

Advertising Costs: The Organization's policy is to expense advertising costs as incurred. For the year ended December 31, 2014, the Organization had no advertising expense.

Subsequent Events: Subsequent events have been evaluated through December 14, 2015, which is the date the financial statements were available to be issued. See Note H for a discussion of significant subsequent events.

NOTES TO FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC.--Continued

December 31, 2014

NOTE B--CONTRACTS

During the year ended December 31, 2014, the Organization entered into various contracts with other entities to assist in conducting its program as follows:

North Oklahoma Community Mental Health Center ("NorthCare"): A memorandum of understanding ("MOU") was entered into with NorthCare to provide a variety of services necessary for carrying out the Organization's program, including:

- Performing the initial assessment on individuals that are referred to the program to determine their eligibility.
- Prepare required court reports and reports for the Oklahoma Department of Health and Human Services.
- Work with the Oklahoma County District Attorney and the Oklahoma County Public Defender and attend court proceedings of participants in the program.
- Provide psychiatric clinic services to participants in the program.
- Operate a 5 day per week treatment program to participants for substance abuse, mental health and trauma at NorthCare's facilities in Oklahoma City.
- Provide ongoing staff training to NorthCare employees that work with the program.

The MOU establishes a budget that details the funded positions that will provide the services to the Organization's participants and which of those positions will be funded by the Organization and/or NorthCare. The MOU can be terminated by either party with or without cause with 60 days written notice. The Organization made payments to NorthCare in relation to providing the services under the MOU of approximately \$227,000 during the year ended December 31, 2014. NorthCare also provided various in-kind contributions to the Organization in carrying out the requirements of the MOU. These included payment of a portion of salaries and benefits and various operating costs and utilization of NorthCare's facilities. The total value of the in-kind contributions for the year ended December 31, 2014 was approximately \$141,000 and is included as an in-kind contribution and expense in the accompanying financial statements.

OKC Metro Alliance, Inc. ("OKC Metro"): The contract was entered into in January of 2014 and is for OKC Metro to provide various services for up to a maximum of 20 of the Organization's participants including safe, sober and supervised housing, random drug testing, daily meals, hygiene, bedding and linen, transportation, minor medical and dental, education, and case management. OKC Metro may charge a rate of \$25 per day, per participant. The contract may be terminated for cause, as defined in the terms of the contract, or with 30 days written notice by either party. Payments made to OKC Metro by the Organization for the year ended December 31, 2014 totaled approximately \$52,000.

Central Oklahoma Workforce Investment Board ("COWIB"): The contract was entered into in December of 2014 and is for COWIB to provide a Workforce Improvement Act ("WIA") job coach to assist the Organization's participants in securing employment through providing them preparation and employment training. The WIA job coach will also provide case management services to participants that are placed in employment positions. The job coach will be compensated \$47,000 annually, with 50% funded by the Organization and 50% funded by COWIB. The Organization made no payments as part of this agreement during 2014.

NOTES TO FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC.--Continued

December 31, 2014

NOTE B--CONTRACTS--Continued

United Way: An MOU was entered into in March of 2014 with the United Way and is for the Organization's use of space at the United Way's headquarters in Oklahoma City. The Organization receives free use of the space as well as a portion of utility and janitorial costs allocated for the space. The Organization also utilized the services of the United Way's IT personnel. Total value of the contributed space, utilities, janitorial costs and IT services for the year ended December 31, 2014 was approximately \$77,000, and is included as an in-kind contribution and expense in the accompanying financial statements.

The Salvation Army: The contract was entered into in March of 2014 and is for The Salvation Army to provide transportation services to the Organization's participants at a rate of \$150 per day, but no more than \$37,500 annually. The contract may be terminated for cause, as defined in the terms of the contract, or with 30 days written notice by either party. Payments made to The Salvation Army by the Organization for the year ended December 31, 2014 totaled approximately \$36,000.

NOTE C--PUBLIC FUNDING

As discussed in Note A, the Organization receives both public and private funding for its operations. The public funding for the year ended December 31, 2014 consisted of the following:

Oklahoma Department of Mental Health and Substance Abuse Services: Directly funded a portion of the cost of the services provided by NorthCare in conjunction with the agreement discussed in Note B between the Organization and NorthCare. Funding for the year ended December 31, 2014 was approximately \$141,000.

Oklahoma Department of Corrections: Directly funded the cost of providing security personnel utilized by the Organization's program. Funding for the year ended December 31, 2014 was approximately \$100,000.

NOTE D--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2014:

Gaylord Foundation	\$ 18,625
Greenwood Canyon	25,706
McLaughlin Family	<u>12,453</u>
	<u>\$ 56,784</u>

NOTES TO FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC.--Continued

December 31, 2014

NOTE E--DATABASE DEVELOPMENT

During the year ended December 31, 2014, the Organization entered into an agreement with Asemio to develop a database to assist the Organization's management in monitoring and evaluating the performance of the Organization in carrying out the requirements of its program. Total cost of the project was approximately \$35,000 and was anticipated to be completed in 2015. As of December 31, 2014, the Organization had incurred costs on the project of \$11,641 which was included as an asset in the accompanying statement of financial position.

NOTE F--RELATED PARTY TRANSACTIONS

The Organization received contributions from its Board members and employees of approximately \$3,200 during the year ended December 31, 2014.

NOTE G--RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*, and most industry-specific guidance. ASU 2014-09 also supersedes some cost guidance included in *Revenue Recognition-Construction-Type and Production-Type Contracts (Subtopic 605-35)*. ASU 2014-09's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, entities will need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. For nonpublic entities, the provisions of FASB ASU 2014-09 are effective for fiscal years beginning after December 15, 2018. The Organization's management is evaluating the impact the adoption of ASU 2014-09 will have on its financial statements in future reporting periods.

NOTE H--SUBSEQUENT EVENT

The Organization received a \$500,000 grant from the Ken and Gae Rees Family Fund of the Oklahoma City Community Foundation during July of 2015. The grant will be used to help expand counseling services and hire a full-time children's health and education coordinator. The grant is to be paid in three installments, with \$200,000 paid in 2015, \$200,000 paid in 2016 and \$100,000 paid in 2017.