

*AUDITED FINANCIAL STATEMENTS*

**REMERGE OF OKLAHOMA COUNTY, INC.**

**December 31, 2015**

Audited Financial Statements

REMERGE OF OKLAHOMA COUNTY, INC.

December 31, 2015

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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 have audited 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, 2015, 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 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 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, 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.

*Bledove + Assoc., PLLC*

Edmond, Oklahoma

July 25, 2016

REMERGE OF OKLAHOMA COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

	December 31 2015
<b>ASSETS</b>	
Cash and cash equivalents	\$ 216,397
Contributions receivable, net of discount of \$11,637	465,363
Other receivables	3,338
Prepaid expenses	10,166
Deposits	900
Fixed assets:	
Equipment	5,152
Database software	49,653
	<u>54,805</u>
Less accumulated depreciation	<u>2,632</u>
	<u>52,173</u>
Total assets	<u>\$ 748,337</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 63,451
Accrued payroll and payroll taxes	7,174
Accrued leave	8,800
Total liabilities	<u>79,425</u>
<b>Net Assets:</b>	
Unrestricted	212,265
Temporarily restricted	456,647
Total net assets	<u>668,912</u>
Total liabilities and net assets	<u>\$ 748,337</u>

See notes to financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.

STATEMENT OF ACTIVITIES

	Year Ended December 31, 2015		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND OTHER REVENUES</b>			
Contributions	\$ 596,439	\$ 648,363	\$ 1,244,802
Merchandise sales	57	-	57
Interest income	398	-	398
In-kind	448,415	-	448,415
Net assets released from restrictions	248,500	(248,500)	-
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	<b>1,293,809</b>	<b>399,863</b>	<b>1,693,672</b>
<b>EXPENSES</b>			
Program services	1,004,437	-	1,004,437
Administrative and general	245,138	-	245,138
Fundraising	104,936	-	104,936
<b>TOTAL EXPENSES</b>	<b>1,354,511</b>	<b>-</b>	<b>1,354,511</b>
<b>CHANGE IN NET ASSETS</b>	<b>(60,702)</b>	<b>399,863</b>	<b>339,161</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>272,967</b>	<b>56,784</b>	<b>329,751</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 212,265</b>	<b>\$ 456,647</b>	<b>\$ 668,912</b>

See notes to financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.

STATEMENT OF CASH FLOWS

	Year Ended December 31 <u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 339,161
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	2,632
Amortization of discount	(2,327)
Changes in operating assets and liabilities:	
Contributions receivable	(445,536)
Other receivables	(2,345)
Prepaid expenses	(3,963)
Accounts payable	4,294
Accrued payroll	5,286
Accrued leave	(1,189)
Net cash used in operating activities	<u>(103,987)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchases of fixed assets	<u>(43,164)</u>
Net cash used in investing activities	<u>(43,164)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(147,151)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>363,548</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 216,397</u>

See notes to financial statements.

REMERGE OF OKLAHOMA COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2015			
	Program Services	Administrative and General	Fundraising	Total Expenses
Salaries and personnel	\$ 348,393	\$ 126,919	\$ 64,311	\$ 539,623
Food and kitchen	17,122	-	-	17,122
Housing	124,941	-	-	124,941
Transportation	41,922	-	-	41,922
Medical and dental	11,701	-	-	11,701
Public relations	5,000	-	-	5,000
Continuing care	5,008	-	-	5,008
Rent	-	2,000	-	2,000
Training	-	2,591	-	2,591
Supplies	-	3,660	-	3,660
Legal and professional	-	64,205	-	64,205
Insurance	-	9,319	-	9,319
Depreciation	-	2,632	-	2,632
In-kind	409,598	13,670	25,147	448,415
Other	40,752	20,142	15,478	76,372
	<u>\$ 1,004,437</u>	<u>\$ 245,138</u>	<u>\$ 104,936</u>	<u>\$ 1,354,511</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### REMERGE OF OKLAHOMA COUNTY, INC.

December 31, 2015

#### 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.--Continued

December 31, 2015

#### 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, 2015.

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, 2015.

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, 2015

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

Fixed Assets: Fixed assets are carried at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Asset purchases equal to or greater than \$500 are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are three years for equipment and seven years for software. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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, 2015, contributions receivable of \$465,363 are expected to be fully collected and therefore no allowance for uncollectible contributions receivable has been included in the accompanying financial statements.

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. Management evaluated the Organization's tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements. The Organization is subject to routine audits by taxing jurisdictions. However, there are currently no audits for any tax periods in progress.

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.

## NOTES TO FINANCIAL STATEMENTS

### REMERGE OF OKLAHOMA COUNTY, INC.--Continued

December 31, 2015

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

Fundraising Costs: The Organization's policy is to expense the costs of fundraising as incurred. For the year ended December 31, 2015, fundraising expense was \$15,478.

Advertising Costs: The Organization's policy is to expense advertising costs as incurred. For the year ended December 31, 2015, the Organization had no advertising expense.

Subsequent Events: Subsequent events have been evaluated through July 25, 2016, which is the date the financial statements were available to be issued.

#### NOTE B--CONTRACTS

The Organization has entered into various contracts with other entities to assist in conducting its program. A description of the agreements in place as of December 31, 2015 is 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 \$290,000 during the year ended December 31, 2015. 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, 2015 was approximately \$136,000 and is included as an in-kind contribution and expense in the accompanying financial statements.

## NOTES TO FINANCIAL STATEMENTS

### REMERGE OF OKLAHOMA COUNTY, INC.--Continued

December 31, 2015

#### NOTE B--CONTRACTS--Continued

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, 2015 totaled approximately \$69,000.

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 through ResCare Workforce Services, Inc. (“RWS”) 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’s compensation is 50% funded by the Organization and 50% funded by COWIB. Payments made to RWS by the Organization for the year ended December 31, 2015 totaled approximately \$19,000.

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, 2015 was approximately \$27,000, 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, 2015 totaled approximately \$37,200.

#### 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, 2015 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, 2015 was approximately \$127,000 and is included as an in-kind contribution and expense in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC.--Continued

December 31, 2015

NOTE C--PUBLIC FUNDING--Continued

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, 2015 was approximately \$60,000 and is included as an in-kind contribution and expense in the accompanying financial statements.

NOTE D--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015:

Rees Family Fund	\$ 430,084
McLaughlin Family Fund	16,682
Zarrow Foundation	5,434
Kirkpatrick Family Fund	3,847
Gaylord Foundation	<u>600</u>
	<u>\$ 456,647</u>

NOTE E--CONTRIBUTIONS RECEIVABLE

The following table details the expected collections of contributions receivable at December 31, 2015:

Less than one year	\$ 177,000
One to five years	<u>300,000</u>
	477,000
Less discount on long-term contributions receivable	<u>11,637</u>
	<u>\$ 465,363</u>

Included in contributions receivable at December 31, 2015 was a \$500,000 unconditional promise to give from a donor made to the Organization effective July 1, 2015 that is to be collected over a three-year period. \$200,000 is to be paid annually for the first two years and then \$100,000 is to be paid in the third year. \$53,000 of the promise to give was collected through December 31, 2015. The unconditional promise to give was recorded net of a discount of \$13,964 to reflect it at its estimated net present value at the time the promise to give was received. A rate of 1.59% was used in calculating the estimated net present value. The discount is being amortized over a period of 36 months, with amortization of \$2,327 during the year ended December 31, 2015. Amortization of the discount is reflected as a component of contributions in the accompanying statement of activities.

## NOTES TO FINANCIAL STATEMENTS

### REMERGE OF OKLAHOMA COUNTY, INC.--Continued

December 31, 2015

#### NOTE F--RELATED PARTY TRANSACTIONS

The Organization received contributions from its Board members and employees of approximately \$6,100 during the year ended December 31, 2015.

#### NOTE G--RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The amendments in this ASU defer the effective date of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* for all entities by one year. The provisions of FASB 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. FASB ASU 2014-09 also supersedes some cost guidance included in *Revenue Recognition-Construction-Type and Production-Type Contracts (Subtopic 605-35)*. FASB 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. In March 2016, the FASB issued ASU 2016-08 further clarifying aspects of Topic 606 which discuss the core principle of Topic 606 in order to improve the operability and understandability of the implementation guidance on principal versus agent considerations. For nonpublic entities, the provisions of FASB ASU 2014-09 are effective for fiscal years beginning after December 15, 2018. For nonpublic entities, early adoption of FASB ASU 2014-09 is also permitted for fiscal years beginning after December 15, 2016.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments are effective for fiscal years beginning after December 15, 2019.

Management is currently evaluating the impact the adoption of FASB 2014-09, 2016-02 and 2016-08 will have on the Organization’s financial statements in future reporting periods.