

*AUDITED CONSOLIDATED FINANCIAL STATEMENTS*

**REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE**

**December 31, 2018**

Audited Consolidated Financial Statements

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

December 31, 2018

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## Independent Auditors' Report

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of ReMerge of Oklahoma County, Inc. ("ReMerge") and ReMRE, Inc. ("ReMRE") (collectively the "Organization"), a nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2018 and 2017, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Rose Rock CPAs PLLC***

Edmond, Oklahoma  
May 29, 2019

REMERGE OF OKLAHOMA COUNTY, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 443,463	\$ 323,423
Cash and cash equivalents - capital campaign	7,905,376	1,766,412
Contributions receivable, net	386,782	171,472
Contributions receivable, net - capital campaign	681,921	2,004,648
Prepaid expenses and other assets	18,556	17,433
Leverage loan receivable	6,192,000	-
Fixed assets:		
Equipment	36,450	35,458
Database software	77,329	77,329
Land	489,799	-
Construction in progress	<u>1,243,712</u>	<u>64,023</u>
	1,847,290	176,810
Less accumulated depreciation	<u>48,695</u>	<u>30,480</u>
	<u>1,798,595</u>	<u>146,330</u>
 Total assets	 <u>\$ 17,426,693</u>	 <u>\$ 4,429,718</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 366,368	\$ 53,944
Accrued leave	24,304	25,654
Accrued payroll and payroll taxes	16,905	10,386
Notes payable	<u>9,086,186</u>	<u>-</u>
Total liabilities	9,493,763	89,984
<b>Net Assets:</b>		
Without donor restriction	2,409,686	254,621
With donor restriction	<u>5,523,244</u>	<u>4,085,113</u>
Total net assets	<u>7,932,930</u>	<u>4,339,734</u>
 Total liabilities and net assets	 <u>\$ 17,426,693</u>	 <u>\$ 4,429,718</u>

See notes to consolidated financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND OTHER REVENUES</b>						
Contributions	\$ 526,424	\$ 4,329,785	\$ 4,856,209	\$ 1,043,966	\$ 3,879,924	\$ 4,923,890
Interest income	88,450	-	88,450	679	-	679
In-kind	277,123	-	277,123	369,716	-	369,716
Net assets released from restrictions	<u>2,891,654</u>	<u>(2,891,654)</u>	<u>-</u>	<u>256,064</u>	<u>(256,064)</u>	<u>-</u>
TOTAL SUPPORT AND OTHER REVENUES	3,783,651	1,438,131	5,221,782	1,670,425	3,623,860	5,294,285
<b>EXPENSES</b>						
Program services	1,174,348	-	1,174,348	1,417,484	-	1,417,484
Administrative and general	247,947	-	247,947	120,244	-	120,244
Development	<u>206,291</u>	<u>-</u>	<u>206,291</u>	<u>93,435</u>	<u>-</u>	<u>93,435</u>
TOTAL EXPENSES	<u>1,628,586</u>	<u>-</u>	<u>1,628,586</u>	<u>1,631,163</u>	<u>-</u>	<u>1,631,163</u>
<b>CHANGE IN NET ASSETS</b>	2,155,065	1,438,131	3,593,196	39,262	3,623,860	3,663,122
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>254,621</u>	<u>4,085,113</u>	<u>4,339,734</u>	<u>215,359</u>	<u>461,253</u>	<u>676,612</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,409,686</u>	<u>\$ 5,523,244</u>	<u>\$ 7,932,930</u>	<u>\$ 254,621</u>	<u>\$ 4,085,113</u>	<u>\$ 4,339,734</u>

See notes to consolidated financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 3,593,196	3,663,122
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	18,214	17,277
Amortization of loan origination costs	4,030	-
Capital campaign contributions	(3,402,688)	(3,818,683)
Changes in operating assets and liabilities:		
Operating contributions receivable	(215,310)	(41,500)
Other receivables	-	3,500
Prepaid expenses and other assets	(1,123)	2,917
Accounts payable	14,094	28,405
Accrued payroll and payroll taxes	6,519	(4,914)
Accrued leave	(1,350)	4,013
Net cash provided by (used in) operating activities	<u>15,582</u>	<u>(145,863)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Funding of leverage loan agreement	(6,192,000)	-
Purchases of fixed assets	<u>(1,372,149)</u>	<u>(85,400)</u>
Net cash used in investing activities	(7,564,149)	(85,400)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital campaign contributions received	4,725,415	1,814,035
Advances under note payable agreements	10,614,798	-
Loan origination costs	(284,678)	-
Principal payments on notes payable	<u>(1,247,964)</u>	<u>(85,400)</u>
Net cash provided by financing activities	<u>13,807,571</u>	<u>1,728,635</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	6,259,004	1,582,772
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,089,835</u>	<u>507,063</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 8,348,839</u>	<u>\$ 2,089,835</u>

See notes to consolidated financial statements.

REMERGE OF OKLAHOMA COUNTY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2018				Year Ended December 31, 2017			
	Program Services	Administrative and General	Development	Total Expenses	Program Services	Administrative and General	Development	Total Expenses
Salaries and personnel	\$ 557,591	\$ 118,904	\$ 97,528	\$ 774,023	\$ 587,174	\$ 73,041	\$ 58,782	\$ 718,997
External salary support	95,652	-	-	95,652	194,032	-	-	194,032
Food and kitchen	24,217	-	620	24,837	27,189	-	14	27,203
Housing	121,668	-	-	121,668	166,861	-	-	166,861
Transportation	48,925	536	201	49,662	35,634	-	-	35,634
Medical and dental	34,790	-	-	34,790	36,794	-	-	36,794
Client assistance	19,044	-	-	19,044	33,734	-	-	33,734
Rent	116,591	14,304	12,242	143,137	116,985	9,278	8,352	134,615
Training	8,901	180	-	9,081	14,589	991	2,722	18,302
Supplies	7,199	2,651	572	10,422	5,868	2,018	517	8,403
Accounting and professional	98,577	23,781	9,327	131,685	116,635	22,921	-	139,556
Insurance	4,369	243	242	4,854	4,134	230	229	4,593
Interest and amortization expense	-	68,278	-	68,278	-	-	-	-
Depreciation	16,393	910	911	18,214	15,549	864	864	17,277
Luncheon and events	149	547	9,043	9,739	-	-	11,915	11,915
Capital campaign	-	-	62,165	62,165	-	-	-	-
Other	20,282	17,613	13,440	51,335	62,306	10,901	10,040	83,247
	<u>\$ 1,174,348</u>	<u>\$ 247,947</u>	<u>\$ 206,291</u>	<u>\$ 1,628,586</u>	<u>\$ 1,417,484</u>	<u>\$ 120,244</u>	<u>\$ 93,435</u>	<u>\$ 1,631,163</u>

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### REMERGE OF OKLAHOMA COUNTY, INC. AND AFFILIATE

DECEMBER 31, 2018

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

Organization: ReMerge of Oklahoma County, Inc. (“ReMerge”) is a nonprofit corporation located in Oklahoma City, Oklahoma. The Organization received 501(c)(3) status effective January 2014. The IRS deemed the Organization to be a public charity. In August 2018, ReMRE, Inc. (“ReMRE”) was created as a supporting organization of ReMerge for the purpose of holding the new building asset being constructed for ReMerge, as well as the facilitation of a New Market Tax Credit arrangement (see Note H). ReMerge and its affiliate are collectively referred to as the “Organization”. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

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 the Organization’s program based on recommendations from the Oklahoma County District Attorney and the Oklahoma County Public Defender.

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 statements of financial position. Net assets represent cumulative revenue over expenses incurred.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification. The Organization is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of restrictions on use that are placed by its donors and are as follows:

*Net Assets Without Donor Restrictions*--Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restriction*--Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for the resource that was restricted has been fulfilled, or both.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2018

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

Basis of Presentation--Continued: 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 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. 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.

Cash and Cash Equivalents: For purposes of the statements 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, 2018 and 2017.

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

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 to seven 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, 2018 and 2017, contributions receivable of \$1,126,439 and \$2,176,120, respectively, are expected to be fully collected, and therefore, no allowance for uncollectible contributions receivable has been included in the accompanying consolidated financial statements. As of December 31, 2018, a discount on multiple year pledges receivable was recorded of \$57,736.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2018

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

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.

As of December 31, 2018, approximately 65% of the outstanding contributions receivable were due from two donors.

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 is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code ("IRC") of 1986, as amended, as an organization described in Section 501(c)(3). ReMerge has been classified as a publicly supported organization under IRC Section 509(a)(1). ReMRE has been classified as a supporting organization under IRC Section 509(a)(3). However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization had no unrelated business taxable income for the years ended December 31, 2018 and 2017.

The Organization complies with the requirements of FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*, which prescribes a recognition threshold and measurement requirements for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, ASC 740 provides guidance on recognition, classification, and accounting in interim periods and disclosure requirements for uncertain tax provisions. The Organization does not have any uncertain tax positions and therefore, has recorded no liability or benefit for such position for the years ended December 31, 2018 and 2017.

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.

Development Costs: The Organization's policy is to expense the costs of development as incurred. For the years ended December 31, 2018 and 2017, development expense was approximately \$208,000 and \$93,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2018

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

Recently Adopted Account Pronouncement: Effective January 1, 2018, the Organization adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 changed the financial statement presentation and disclosure requirements for not-for-profit entities. ASU 2016-14 decreased the number of net asset classifications from three to two based on the existence of donor restrictions. ASU 2016-14 also requires additional disclosures regarding board-designations on net assets, “underwater” endowment funds, liquidity and methods used to allocate costs to functional expense categories. Adoption of ASU 2016-14 did not have a significant impact on the Organization’s financial statements.

Subsequent Events: Subsequent events have been evaluated through May 29, 2019, 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. Descriptions of the agreements in place as of December 31, 2018 and 2017 are as follows:

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 years ended December 31, 2018 and 2017 totaled approximately \$55,000 and \$59,000, respectively.

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. The agreement was terminated during 2018 due to hiring a full-time education and employment coordinator. Payments made to RWS by the Organization for the years ended December 31, 2018 and 2017 totaled approximately \$6,000 and \$24,000, respectively.

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. 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 years ended December 31, 2018 and 2017 totaled approximately \$38,000 and \$30,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2018

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 years ended December 31, 2018 and 2017 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 services provided to the Organization. Funding for the year ended December 31, 2017 was approximately \$72,000 and is included as an in-kind contribution and external salary support expense in the accompanying financial statements.

Oklahoma Department of Corrections: Directly funded the cost of providing security personnel utilized by the Organization's program. Funding for each of the years ended December 31, 2018 and 2017 was approximately \$56,000 and \$50,000, respectively, and is included as an in-kind contribution and external salary support expense in the accompanying financial statements.

NOTE D--NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of the following at December 31:

	2018	2017
Capital Campaign new building fund	\$ 5,085,489	\$ 3,753,780
Rees Family Fund	24,401	112,401
OCCF: Biometric Wellness	-	12,000
Boeing: Wellness program	4,192	9,924
InAsMuch Foundation	463	170,358
Rockefeller: Listen for good program	-	14,180
Delta Dental: Dental program	8,197	12,470
Grant receivables greater than one year	300,000	-
Blue Cross Blue Shield	50,000	-
Tides Foundation	50,502	-
	<u>\$ 5,523,244</u>	<u>\$ 4,085,113</u>

NOTE E--LEASES

Effective October 1, 2016, the Organization entered into a twenty-four-month lease agreement for property located in Oklahoma City, Oklahoma at \$3,263 per month. The lease is at a rate well below market value, therefore, the difference was recorded as an in-kind contribution and rent expense of approximately \$100,000 and \$95,000 for the years ended December 31, 2018 and 2017, respectively. The lease has continued month-to-month beginning October 2018 at the same rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2018

NOTE F--NOTE RECEIVABLE

During 2018, the Organization entered into a structured arrangement in order to generate New Market Tax Credits (see Note H). As part of the arrangement, the Organization funded a leverage loan in the amount of \$6,192,000 to BF ReMerge Investment Fund, LLC, an Oklahoma limited liability company and a wholly owned subsidiary of BancFirst, all in accordance with the New Markets Tax Credit financing structure.

The note bears interest at 1% and requires interest to be paid quarterly beginning September 2018 through July 2025. Beginning August 2025, the Organization will receive principal and interest payments of \$89,560 quarterly through maturity of August 2044.

Future principal maturities under the note receivable agreement as of December 31, 2018 are as follows:

2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		<u>6,192,000</u>
	\$	<u>6,192,000</u>

NOTE G--NOTES PAYABLE

In August 2018, the Organization entered into a Loan Agreement with BancFirst for the purpose of funding the leverage loan noted in Note F. Borrowings under the agreement bear interest at Wall Street Journal Prime (5.5% at December 31, 2018) during the interest only period of twelve months or until the Organization achieves occupancy of the facility, whichever is first. After the interest only period, the Organization has the option to convert to a fixed rate equal to the Three-Year United States Treasury Constant Maturity Rate as of the date of such election, plus 2.75% through maturity of August 2022. The note is secured by personal property of the Organization, a collateral assignment of the note receivable, and certain pledges receivable (\$465,000 remaining pledges as of December 31, 2018). The agreement has a balance of \$366,834 as of December 31, 2018.

In connection with the new market tax credit structure, the Organization entered into two thirty-year note payable agreements with MetaFund Subsidiary XI, LLC totaling \$9,000,000. The notes require quarterly interest payments at 1.6881% through November 2025. Beginning December 2025, total principal and interest payments of \$118,247 are due quarterly through maturity of August 2048.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the straight-line method. The Organization incurred and paid interest on the note payable agreements of \$64,248 and \$59,825, respectively, for the year ended December 31, 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2018

NOTE G--NOTES PAYABLE--CONTINUED

Future principal maturities under the note payable agreements as of December 31, 2018 are as follows:

2019	\$	28,316
2020		117,230
2021		123,843
2022		97,445
2023		-
Thereafter		<u>9,000,000</u>
		9,366,834
Less Loan Origination Costs		<u>280,648</u>
	\$	<u>9,086,186</u>

NOTE H--NEW MARKET TAX CREDITS

In order to finance a portion of the new building construction, the Organization applied for and received an award of \$9 million in New Markets Tax Credit ("NMTC") authority from MetaFund Corporation, an Oklahoma not for profit corporation ("MetaFund"), under Section 45D of the Internal Revenue Code and the Treasury Regulations promulgated thereunder.

In order to facilitate the NMTC financing, the Organization obtained a loan from BancFirst, the proceeds of which were combined with capital campaign donations and used to fund a Leverage Loan in the amount of \$6,192,000 from ReMerge to BF ReMerge Investment Fund, LLC (the "Fund"). The Leverage Loan and an equity contribution by BancFirst were used to make a \$9 million equity contribution to MetaFund Subsidiary XI, LLC ("MetaFund Sub"), an Oklahoma limited liability company and a subsidiary of MetaFund. MetaFund used the proceeds of the equity contribution to make loans to ReMRE. ReMRE will use the proceeds of the loans to construct the new building project.

An Investment Fund Put/Call Agreement was entered into pursuant to which, following the expiration of the seven-year NMTC compliance period, BancFirst will have the right at its option to cause the Organization to purchase BancFirst's interest in the Fund for a purchase price equal to \$1,000 and other fees described therein and, if BancFirst does not exercise such put option, the Organization can cause BancFirst to sell its interest in the Fund for the fair market value of such interest.

NOTE I--SIMPLE IRA PLAN

During 2016, the Organization adopted a Simple IRA Plan covering all eligible employees. The Organization makes matching contributions of 3%. The Organization made matching contributions of approximately \$16,000 and \$12,000 for the years ended December 31, 2018 and 2017, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

### REMERGE OF OKLAHOMA COUNTY, INC. AND AFFILIATE

DECEMBER 31, 2018

#### NOTE J--LIQUIDITY

The Organization has approximately \$560,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and pledges receivable. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$257,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

#### NOTE K--COMMITMENTS

During 2018, the Organization entered into a \$6,210,881 construction contract with GE Johnson Construction Co. for the construction of the new diversion program facility. As of December 31, 2018, \$756,579 had been incurred under the contract and \$5,454,302 was remaining.

#### NOTE L--RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made – Not-for-Profit Entities (Topic 958)*. ASU 2018-08 was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments are effective for the Organization for transactions in which the Organization is the resource recipient for fiscal years beginning after December 15, 2018. The amendments are effective for the Organization for transactions in which the Organization is the resource provider for fiscal years beginning after December 15, 2019. Early adoption is permitted.

Management is currently evaluating the impact adoption of the pronouncements will have on the Organization's financial statements in future reporting periods.