

*AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

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

December 31, 2021

Audited Consolidated Financial Statements
and Supplementary Information

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

December 31, 2021

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Independent Auditors' Report

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

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, and the results of its consolidated operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rose Rock CPAs PLLC

Edmond, Oklahoma
May 18, 2022

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,872,759	\$ 1,387,269
Cash and cash equivalents - funds held in trust	4,704	-
Cash and cash equivalents - replacement reserve	77,810	39,607
Cash and cash equivalents - board designated	636,002	654,820
Certificate of deposit - restricted	501,502	500,000
Contributions receivable, net	300,368	258,934
Contributions receivable, net - capital campaign	2,350	164,850
Prepaid expenses and other assets	56,352	36,433
Leverage loan receivable	6,192,000	6,192,000
Fixed assets:		
Furniture and equipment	713,224	706,628
Database software	-	94,379
Land	489,799	489,799
Building	7,190,554	7,190,554
	<u>8,393,577</u>	<u>8,481,360</u>
Less accumulated depreciation	<u>616,895</u>	<u>392,744</u>
	<u>7,776,682</u>	<u>8,088,616</u>
Total assets	<u>\$ 17,420,529</u>	<u>\$ 17,322,529</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 25,103	\$ 28,654
Accrued leave	37,112	35,488
Accrued payroll and payroll taxes	42,982	30,827
PPP forgivable note	-	164,100
Funds held in trust	4,704	-
Notes payable	<u>9,372,620</u>	<u>8,748,530</u>
Total liabilities	9,482,521	9,007,599
Net Assets:		
Without donor restrictions	6,657,424	6,730,623
Board designated reserve	1,137,504	1,154,820
With donor restrictions	<u>143,080</u>	<u>429,487</u>
Total net assets	<u>7,938,008</u>	<u>8,314,930</u>
Total liabilities and net assets	<u>\$ 17,420,529</u>	<u>\$ 17,322,529</u>

See notes to consolidated financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUES						
Contributions and grants	\$ 1,717,893	\$ 187,500	\$ 1,905,393	\$ 1,110,580	\$ 519,378	\$ 1,629,958
Interest income	64,787	-	64,787	73,547	-	73,547
In-kind	293,100	-	293,100	214,696	-	214,696
Other revenue (loss)	(9,758)	-	(9,758)	(752)	-	(752)
Net assets released from restrictions	<u>473,907</u>	<u>(473,907)</u>	<u>-</u>	<u>401,059</u>	<u>(401,059)</u>	<u>-</u>
TOTAL SUPPORT AND OTHER REVENUES	2,539,929	(286,407)	2,253,522	1,799,130	118,319	1,917,449
EXPENSES						
Program services	2,064,418	-	2,064,418	1,811,665	-	1,811,665
Administrative and general	284,777	-	284,777	216,310	-	216,310
Development	<u>281,249</u>	<u>-</u>	<u>281,249</u>	<u>150,535</u>	<u>-</u>	<u>150,535</u>
TOTAL EXPENSES	<u>2,630,444</u>	<u>-</u>	<u>2,630,444</u>	<u>2,178,510</u>	<u>-</u>	<u>2,178,510</u>
CHANGE IN NET ASSETS	(90,515)	(286,407)	(376,922)	(379,380)	118,319	(261,061)
NET ASSETS AT BEGINNING OF YEAR	<u>7,885,443</u>	<u>429,487</u>	<u>8,314,930</u>	<u>8,264,823</u>	<u>311,168</u>	<u>8,575,991</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,794,928</u>	<u>\$ 143,080</u>	<u>\$ 7,938,008</u>	<u>\$ 7,885,443</u>	<u>\$ 429,487</u>	<u>\$ 8,314,930</u>

See notes to consolidated financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (376,922)	(261,061)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	290,450	292,532
Loss on disposal of assets	28,080	-
Amortization of loan origination costs	9,090	17,089
Capital campaign contributions	-	(85,200)
Interest on certificate of deposit	(1,502)	-
Forgiveness of PPP note	(164,100)	-
Changes in operating assets and liabilities:		
Operating contributions receivable	(41,434)	56,146
Prepaid expenses and other assets	(19,919)	9,101
Accounts payable	(3,551)	(21,787)
Accrued payroll and payroll taxes	12,155	5,238
Accrued leave	1,624	18,342
Funds held in trust	4,704	-
Net cash provided by (used in) operating activities	<u>(261,325)</u>	<u>30,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	-	(500,000)
Purchases of fixed assets	<u>(6,596)</u>	<u>(1,166,245)</u>
Net cash used in investing activities	(6,596)	(1,666,245)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital campaign contributions received	162,500	194,442
PPP forgivable loan advance	-	164,100
Proceeds from note payable	615,000	-
Principal payments on notes payable	<u>-</u>	<u>(133,718)</u>
Net cash provided by financing activities	<u>777,500</u>	<u>224,824</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	509,579	(1,411,021)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,081,696</u>	<u>3,492,717</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,591,275</u>	<u>\$ 2,081,696</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 152,845</u>	<u>\$ 152,632</u>

See notes to consolidated financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Program Services	Administrative and General	Development	Total Expenses	Program Services	Administrative and General	Development	Total Expenses
Salaries and personnel	\$ 788,120	\$ 163,488	\$ 148,597	\$ 1,100,205	\$ 703,062	\$ 140,605	\$ 113,377	\$ 957,044
External salary support	81,117	-	-	81,117	98,158	-	-	98,158
Accounting and professional	167,255	54,913	66,818	288,986	148,370	17,450	-	165,820
Building costs and maintenance	42,159	9,088	2,698	53,945	37,505	2,084	2,084	41,673
Capital campaign	-	-	-	-	-	-	890	890
Catalyst cookies startup	-	-	-	-	27,208	-	-	27,208
Client assistance	50,069	-	-	50,069	36,542	-	-	36,542
Client housing	144,101	-	-	144,101	107,798	-	-	107,798
Client medical and dental	61,685	-	-	61,685	20,410	-	-	20,410
Client transportation	33,761	-	-	33,761	42,602	379	235	43,216
Depreciation	261,429	14,511	14,510	290,450	263,278	14,627	14,627	292,532
Food and kitchen	36,094	-	217	36,311	34,820	26	4	34,850
Insurance	37,576	2,087	2,087	41,750	33,079	1,838	1,838	36,755
Interest and amortization expense	145,833	8,050	8,050	161,933	153,885	8,499	8,499	170,883
Internet and communication	47,725	2,651	2,651	53,027	31,571	1,754	1,754	35,079
Luncheon and events	8,361	1,705	14,242	24,308	1,036	235	160	1,431
Supplies	21,025	2,557	363	23,945	16,579	3,612	643	20,834
Training	74,295	14,404	1,944	90,643	6,418	6,028	831	13,277
Utilities	41,930	2,329	2,329	46,588	35,801	1,989	1,989	39,779
Other	21,883	8,994	16,743	47,620	13,543	17,184	3,604	34,331
	<u>\$ 2,064,418</u>	<u>\$ 284,777</u>	<u>\$ 281,249</u>	<u>\$ 2,630,444</u>	<u>\$ 1,811,665</u>	<u>\$ 216,310</u>	<u>\$ 150,535</u>	<u>\$ 2,178,510</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

REMERGE OF OKLAHOMA COUNTY, INC. AND AFFILIATE

DECEMBER 31, 2021

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 building asset which was 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.

Net Assets: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board’s (“FASB”) ASC 958 *Not-for-Profit Entities* (ASC 958). Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets without donor restrictions include all resources that are expendable at the discretion of the Board of Directors (the “Board”) for general operating purposes or the Organization’s programs and events. From time to time, the Board may designate a portion of these net assets for specific purposes which make them unavailable for use at management’s discretion. As of December 31, 2021 and 2020, there was approximately \$1,138,000 and \$1,155,000, respectively, of board designated net assets for the purpose of a building and general reserve.
- *Net assets with donor restrictions* – Net assets with donor restrictions consist of resources whose use is limited by donor-imposed time and / or purpose restrictions. Donor-imposed restrictions can be 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 (i.e. endowment). 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. When the stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

DECEMBER 31, 2021

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

Net Assets--Continued: Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any.

Cash and Cash Equivalents: For purposes of the consolidated 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, 2021 and 2020.

Certificate of Deposit: The Organization holds one certificate of deposit with a one-year maturity, carried at cost.

Functional Allocation of Expenses: 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. The expenses that are allocated include building costs and maintenance, depreciation, insurance, interest and amortization, internet and communication, and utilities, which are allocated on a square footage basis, as well as salaries and personnel, which are allocated on the basis of estimates of time and effort.

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, seven years for software, and thirty-nine years for the building. 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. The Organization considers these contributions receivable to be temporarily restricted support if their use is restricted for specific purposes. As of December 31, 2021 and 2020, contributions receivable of \$302,718 and \$423,784, 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, 2021 and 2020, a discount on multiple year pledges receivable was recorded of \$0 and \$5,213, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

DECEMBER 31, 2021

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

Funds Held in Trust: As part of the Catalyst Cookies program, participants are able to earn funds which are held in trust for their benefit.

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, 2021, approximately 50% 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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020, development expense was approximately \$281,000 and \$151,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

DECEMBER 31, 2021

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

Subsequent Events: Subsequent events have been evaluated through May 18, 2022, which is the date the financial statements were available to be issued.

NOTE B--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, 2021 and 2020 consisted of the following:

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, 2021 and 2020 totaled approximately \$59,000 and \$53,000, respectively, and is included as an in-kind contribution and program expense in the accompanying financial statements.

NOTE C--NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Future Year Pledge	\$ -	\$ 100,000
Remerge Continuing Care	14,896	-
Covid support	-	8,605
Housing	-	58,461
Capital Campaign	-	62,500
White Fields	31,414	97,801
Catalyst Cookies and salaries	63,517	79,621
Health and wellness	26,394	12,000
Other	6,859	10,499
	<u>\$ 143,080</u>	<u>\$ 429,487</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

DECEMBER 31, 2021

NOTE D--LINE OF CREDIT

To assist with its cash flow needs, the Organization has a \$500,000 line of credit with BancFirst. At December 31, 2021, the line of credit had a fixed interest rate of 2.15% and a maturity date of May 20, 2022. The line of credit is collateralized by a certificate of deposit. The line of credit did not have an outstanding balance at December 31, 2021.

NOTE E--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 \$372,950 per year through maturity of August 2044.

Future principal maturities under the note receivable agreement as of December 31, 2021 are as follows:

2022	\$	-
2023		-
2024		-
2025		74,080
2026		298,177
Thereafter		<u>5,819,743</u>
	\$	<u>6,192,000</u>

NOTE F--NOTES PAYABLE

In June 2021, the Organization entered into a \$615,000 Loan Agreement with Impact Accelerator, LLC for the purpose of funding the Pay for Success contract with the Oklahoma Department of Corrections (“ODOC”). The note is interest free unless default occurs. Payments are to be repaid with the Pay for Success revenues received from ODOC and are estimated at \$330,000 for 2022. The loan has a balance of \$615,000 as of December 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

DECEMBER 31, 2021

NOTE F--NOTES PAYABLE--CONTINUED

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 ("MetaFund Sub"). 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 \$151,929 for each of the years ended December 31, 2021 and 2020.

Future principal maturities under the MetaFund Sub note payable agreements as of December 31, 2021 are as follows:

2022	\$	-
2023		-
2024		-
2025		80,265
2026		324,459
Thereafter		<u>8,595,276</u>
		9,000,000
Less Loan Origination Costs		<u>242,380</u>
	\$	<u><u>8,757,620</u></u>

NOTE G--PPP FORGIVABLE NOTE

On April 10, 2020, the Organization was granted a loan from the BancFirst in the amount of \$164,100, pursuant to the Paycheck Protection Program ("PPP") under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. The loan bears interest at a rate of 1.00% per annum. The loan was formally forgiven May 21, 2021 and the revenue was included with contributions and grants revenues in the statements of activities for the year ended December 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC. AND AFFILIATE

DECEMBER 31, 2021

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 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 used 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 \$20,000 and \$11,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE J--LIQUIDITY

The Organization has approximately \$2,032,000 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 these 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 policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The board of directors has designated approximately \$1,138,000 in tax credit funds as a reserve that is available at the board's discretion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

DECEMBER 31, 2021

NOTE K--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, 2021.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 requires disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets as well as enhanced disclosures regarding valuation and usage of the contributed nonfinancial assets. The amendments should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021.

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



Independent Auditors' Report on Supplementary Consolidating Information

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

We have audited the consolidated financial statements of ReMerge of Oklahoma County, Inc. ("ReMerge") and ReMRE, Inc. ("ReMRE") (collectively the "Organization") as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated May 18, 2022 on page 1, which expressed an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedule I, II, III, and IV on pages 16-19 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Rose Rock CPAs PLLC

Edmond, Oklahoma
May 18, 2022

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	ReMerge	ReMRE	Eliminations	
	Amount Prior to Elimination Entries	Amount Prior to Elimination Entries	in Consolidation	Consolidated
ASSETS				
Cash and cash equivalents	\$ 1,872,759	\$ -	\$ -	\$ 1,872,759
Cash and cash equivalents - funds held in trust	4,704	-	-	4,704
Cash and cash equivalents - replacement reserve	-	77,810	-	77,810
Cash and cash equivalents - board designated	551,183	84,819	-	636,002
Certificate of deposit - restricted	501,502	-	-	501,502
Contributions receivable, net	300,368	-	-	300,368
Contributions receivable, net - capital campaign	2,350	-	-	2,350
Prepaid expenses and other assets	56,352	-	-	56,352
Leverage loan receivable	6,192,000	-	-	6,192,000
Fixed assets:				
Furniture and equipment	68,811	644,413	-	713,224
Land	-	489,799	-	489,799
Building	-	7,190,554	-	7,190,554
	68,811	8,324,766	-	8,393,577
Less accumulated depreciation	40,445	576,450	-	616,895
	28,366	7,748,316	-	7,776,682
 Total assets	 \$ 9,509,584	 \$ 7,910,945	 \$ -	 \$ 17,420,529
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 23,553	\$ 1,550	\$ -	\$ 25,103
Accrued leave	37,112	-	-	37,112
Accrued payroll and payroll taxes	42,982	-	-	42,982
Funds held in trust	4,704	-	-	4,704
Notes payable	615,000	8,757,620	-	9,372,620
Total liabilities	723,351	8,759,170	-	9,482,521
Net Assets:				
Without donor restrictions	7,590,468	(933,044)	-	6,657,424
Board designated reserve	1,052,685	84,819	-	1,137,504
With donor restrictions	143,080	-	-	143,080
Total net assets	8,786,233	(848,225)	-	7,938,008
 Total liabilities and net assets	 \$ 9,509,584	 \$ 7,910,945	 \$ -	 \$ 17,420,529

See independent auditors' report on supplementary consolidating information.

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	<u>ReMerge</u>	<u>ReMRE</u>	Eliminations	
	Amount Prior	Amount Prior	in	
	to	to	Consolidation	Consolidated
	<u>Elimination Entries</u>	<u>Elimination Entries</u>	<u>Consolidation</u>	<u>Consolidated</u>
SUPPORT AND OTHER REVENUES				
Contributions and grants	\$ 1,905,393	\$ -	\$ -	\$ 1,905,393
Interest income	64,778	9	-	64,787
In-kind	293,100	-	-	293,100
Other revenue (loss)	<u>(9,758)</u>	<u>185,000</u>	<u>(185,000)</u>	<u>(9,758)</u>
TOTAL SUPPORT AND OTHER REVENUES	2,253,513	185,009	(185,000)	2,253,522
EXPENSES				
Salaries and personnel	1,100,205	-	-	1,100,205
External salary support	81,117	-	-	81,117
Accounting and professional	266,408	22,578	-	288,986
Building costs and maintenance	39,744	14,201	-	53,945
Client assistance	50,069	-	-	50,069
Client housing	144,101	-	-	144,101
Client medical and dental	61,685	-	-	61,685
Client transportation	33,761	-	-	33,761
Depreciation	18,939	271,511	-	290,450
Food and kitchen	36,311	-	-	36,311
Insurance	41,750	-	-	41,750
Interest and amortization expense	915	161,018	-	161,933
Internet and communication	53,027	-	-	53,027
Luncheon and events	24,308	-	-	24,308
Rent	185,000	-	(185,000)	-
Supplies	23,945	-	-	23,945
Training	90,643	-	-	90,643
Utilities	46,588	-	-	46,588
Other	<u>46,904</u>	<u>716</u>	<u>-</u>	<u>47,620</u>
TOTAL EXPENSES	<u>2,345,420</u>	<u>470,024</u>	<u>(185,000)</u>	<u>2,630,444</u>
CHANGE IN NET ASSETS	(91,907)	(285,015)	-	(376,922)
NET ASSETS AT BEGINNING OF YEAR	<u>8,878,140</u>	<u>(563,210)</u>	<u>-</u>	<u>8,314,930</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,786,233</u>	<u>\$ (848,225)</u>	<u>\$ -</u>	<u>\$ 7,938,008</u>

See independent auditors' report on supplementary consolidating information.

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

SCHEDULE III - CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

	ReMerge	ReMRE	Eliminations	
	Amount Prior	Amount Prior	in	
	to	to	Consolidation	Consolidated
	Elimination Entries	Elimination Entries	Consolidation	Consolidated
ASSETS				
Cash and cash equivalents	\$ 1,387,269	\$ -	\$ -	\$ 1,387,269
Cash and cash equivalents - replacement reserve	39,607	-	-	39,607
Cash and cash equivalents - board designated	485,930	168,890	-	654,820
Certificate of deposit - restricted	500,000	-	-	500,000
Contributions receivable, net	258,934	-	-	258,934
Contributions receivable, net - capital campaign	164,850	-	-	164,850
Prepaid expenses and other assets	36,433	-	-	36,433
Leverage loan receivable	6,192,000	-	-	6,192,000
Fixed assets:				
Furniture and equipment	63,812	642,816	-	706,628
Database software	94,379	-	-	94,379
Land	-	489,799	-	489,799
Building	-	7,190,554	-	7,190,554
	158,191	8,323,169	-	8,481,360
Less accumulated depreciation	87,805	304,939	-	392,744
	70,386	8,018,230	-	8,088,616
Total assets	<u>\$ 9,135,409</u>	<u>\$ 8,187,120</u>	<u>\$ -</u>	<u>\$ 17,322,529</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 26,854	\$ 1,800	\$ -	\$ 28,654
Accrued leave	35,488	-	-	35,488
Accrued payroll and payroll taxes	30,827	-	-	30,827
PPP forgivable note	164,100	-	-	164,100
Notes payable	-	8,748,530	-	8,748,530
Total liabilities	257,269	8,750,330	-	9,007,599
Net Assets:				
Without donor restrictions	7,293,833	(563,210)	-	6,730,623
Board designated reserve	1,154,820	-	-	1,154,820
With donor restrictions	429,487	-	-	429,487
Total net assets	8,878,140	(563,210)	-	8,314,930
Total liabilities and net assets	<u>\$ 9,135,409</u>	<u>\$ 8,187,120</u>	<u>\$ -</u>	<u>\$ 17,322,529</u>

See independent auditors' report on supplementary consolidating information.

REMERGE OF OKLAHOMA COUNTY, INC.
AND AFFILIATE

SCHEDULE IV - CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>ReMerge</u>	<u>ReMRE</u>	<u>Eliminations</u>	
	Amount Prior to Elimination Entries	Amount Prior to Elimination Entries	in Consolidation	Consolidated
SUPPORT AND OTHER REVENUES				
Contributions and grants	\$ 3,251,501	\$ 200	\$ (1,621,743)	\$ 1,629,958
Interest income	66,349	7,198	-	73,547
In-kind	214,696	-	-	214,696
Other revenue (loss)	<u>(752)</u>	<u>185,000</u>	<u>(185,000)</u>	<u>(752)</u>
TOTAL SUPPORT AND OTHER REVENUES	3,531,794	192,398	(1,806,743)	1,917,449
EXPENSES				
Salaries and personnel	957,044	-	-	957,044
External salary support	98,158	-	-	98,158
Accounting and professional	148,370	17,450	-	165,820
Building costs and maintenance	36,370	5,303	-	41,673
Capital campaign	890	-	-	890
Catalyst cookies startup	27,208	-	-	27,208
Client assistance	36,542	-	-	36,542
Client housing	107,798	-	-	107,798
Client medical and dental	20,410	-	-	20,410
Client transportation	43,216	-	-	43,216
Depreciation	20,766	271,766	-	292,532
Food and kitchen	34,850	-	-	34,850
Insurance	36,755	-	-	36,755
Interest and amortization expense	9,865	161,018	-	170,883
Internet and communication	35,079	-	-	35,079
Luncheon and events	1,431	-	-	1,431
Rent	185,000	-	(185,000)	-
Supplies	19,203	1,631	-	20,834
Training	8,772	4,505	-	13,277
Utilities	39,779	-	-	39,779
Other	<u>22,298</u>	<u>1,633,776</u>	<u>(1,621,743)</u>	<u>34,331</u>
TOTAL EXPENSES	<u>1,889,804</u>	<u>2,095,449</u>	<u>(1,806,743)</u>	<u>2,178,510</u>
CHANGE IN NET ASSETS	1,641,990	(1,903,051)	-	(261,061)
NET ASSETS AT BEGINNING OF YEAR	<u>7,236,150</u>	<u>1,339,841</u>	<u>-</u>	<u>8,575,991</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,878,140</u>	<u>\$ (563,210)</u>	<u>\$ -</u>	<u>\$ 8,314,930</u>

See independent auditors' report on supplementary consolidating information.