

*AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION*

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

**December 31, 2022**

Audited Consolidated Financial Statements  
and Supplementary Information

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

December 31, 2022

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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 Audit of the Consolidated Financial Statements**

#### ***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, 2022 and 2021, 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 present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

#### ***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 consolidated 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 and *Government 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 and *Government 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.

### ***Supplementary Information***

Our audit was 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 18-21 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

***Rose Rock CPAs PLLC***

Edmond, Oklahoma  
August 23, 2023

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,262,943	\$ 1,872,759
Cash and cash equivalents - funds held in trust	6,507	4,704
Cash and cash equivalents - replacement reserve	100,881	77,810
Cash and cash equivalents - board designated	-	636,002
Certificate of deposit - restricted	-	501,502
Contributions and grants receivable	382,551	300,368
Contributions receivable - capital campaign	-	2,350
Prepaid expenses and other assets	38,475	56,352
Beneficial interest in funds held by others	972,601	-
Leverage loan receivable	6,192,000	6,192,000
Fixed assets:		
Furniture and equipment	724,890	713,224
Land	489,799	489,799
Building	7,190,554	7,190,554
	<u>8,405,243</u>	<u>8,393,577</u>
Less accumulated depreciation	<u>900,333</u>	<u>616,895</u>
	<u>7,504,910</u>	<u>7,776,682</u>
Total assets	<u>\$ 17,460,868</u>	<u>\$ 17,420,529</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 37,483	\$ 25,103
Accrued leave	39,540	37,112
Accrued payroll and payroll taxes	51,362	42,982
Funds held in trust	6,507	4,704
Notes payable	<u>9,138,180</u>	<u>9,372,620</u>
Total liabilities	9,273,072	9,482,521
<b>Net Assets:</b>		
Without donor restrictions	7,077,878	6,657,424
Board designated endowment/reserve	972,601	1,137,504
With donor restrictions	<u>137,317</u>	<u>143,080</u>
Total net assets	<u>8,187,796</u>	<u>7,938,008</u>
Total liabilities and net assets	<u>\$ 17,460,868</u>	<u>\$ 17,420,529</u>

See notes to consolidated financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND OTHER REVENUES</b>						
Contributions and grants	\$ 1,786,780	\$ 254,600	\$ 2,041,380	\$ 1,717,893	\$ 187,500	\$ 1,905,393
Government grants	882,848	-	882,848	-	-	-
Interest income	99,501	-	99,501	64,787	-	64,787
In-kind	442,656	-	442,656	293,100	-	293,100
Realized and unrealized gain (loss) on endowment	(2,399)	-	(2,399)	-	-	-
Other revenue (loss)	19,516	-	19,516	(9,758)	-	(9,758)
Net assets released from restrictions	260,363	(260,363)	-	473,907	(473,907)	-
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	<b>3,489,265</b>	<b>(5,763)</b>	<b>3,483,502</b>	<b>2,539,929</b>	<b>(286,407)</b>	<b>2,253,522</b>
<b>EXPENSES</b>						
Program services	2,782,154	-	2,782,154	2,064,418	-	2,064,418
Administrative and general	265,954	-	265,954	284,777	-	284,777
Development	185,606	-	185,606	281,249	-	281,249
<b>TOTAL EXPENSES</b>	<b>3,233,714</b>	<b>-</b>	<b>3,233,714</b>	<b>2,630,444</b>	<b>-</b>	<b>2,630,444</b>
<b>CHANGE IN NET ASSETS</b>	<b>255,551</b>	<b>(5,763)</b>	<b>249,788</b>	<b>(90,515)</b>	<b>(286,407)</b>	<b>(376,922)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>7,794,928</b>	<b>143,080</b>	<b>7,938,008</b>	<b>7,885,443</b>	<b>429,487</b>	<b>8,314,930</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 8,050,479</b>	<b>\$ 137,317</b>	<b>\$ 8,187,796</b>	<b>\$ 7,794,928</b>	<b>\$ 143,080</b>	<b>\$ 7,938,008</b>

See notes to consolidated financial statements.

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 249,788	(376,922)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	283,438	290,450
Loss on disposal of assets	-	28,080
Amortization of loan origination costs	9,089	9,090
Realized and unrealized gain (loss) on endowment	2,399	-
Interest on certificate of deposit	-	(1,502)
Forgiveness of PPP note	-	(164,100)
Changes in operating assets and liabilities:		
Contributions and grants receivable	(82,183)	(41,434)
Prepaid expenses and other assets	17,877	(19,919)
Accounts payable	12,380	(3,551)
Accrued leave	2,428	1,624
Accrued payroll and payroll taxes	8,380	12,155
Funds held in trust	1,803	4,704
Net cash provided by (used in) operating activities	<u>505,399</u>	<u>(261,325)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Transfer to beneficial interest in funds held by others	(975,000)	-
Proceeds from certificate of deposit maturity	501,502	-
Purchases of fixed assets	<u>(11,666)</u>	<u>(6,596)</u>
Net cash used in investing activities	(485,164)	(6,596)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital campaign contributions received	2,350	162,500
Proceeds from note payable	-	615,000
Principal payments on notes payable	<u>(243,529)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(241,179)</u>	<u>777,500</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(220,944)	509,579
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,591,275</u>	<u>2,081,696</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,370,331</u>	<u>\$ 2,591,275</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 151,929</u>	<u>\$ 152,845</u>

See notes to consolidated financial statements.



REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2022				Year Ended December 31, 2021			
	Program Services	Administrative and General	Development	Total Expenses	Program Services	Administrative and General	Development	Total Expenses
Salaries and personnel	\$ 1,098,072	\$ 87,607	\$ 77,537	\$ 1,263,216	\$ 788,120	\$ 163,488	\$ 148,597	\$ 1,100,205
External salary support	84,032	-	-	84,032	81,117	-	-	81,117
Accounting and professional	108,469	78,234	4,323	191,026	167,255	54,913	66,818	288,986
Building costs and maintenance	35,619	30,983	4,120	70,722	42,159	9,088	2,698	53,945
Client assistance	106,517	-	-	106,517	38,023	-	-	38,023
Client food and kitchen	39,832	-	-	39,832	36,094	-	217	36,311
Client housing	214,571	-	-	214,571	144,101	-	-	144,101
Client medical and dental	22,388	-	-	22,388	61,685	-	-	61,685
Client transportation	85,864	-	-	85,864	45,807	-	-	45,807
Client training, general and other	302,146	-	-	302,146	-	-	-	-
Client work program	94,493	-	-	94,493	-	-	-	-
Depreciation	255,398	14,377	13,663	283,438	261,429	14,511	14,510	290,450
Insurance	44,896	2,494	2,494	49,884	37,576	2,087	2,087	41,750
Interest and amortization expense	144,916	8,051	8,051	161,018	145,833	8,050	8,050	161,933
Internet and communication	34,813	20,644	5,682	61,139	47,725	2,651	2,651	53,027
Luncheon and events	6,535	1,044	39,331	46,910	8,361	1,705	14,242	24,308
Supplies	8,359	2,053	398	10,810	21,025	2,557	363	23,945
Training	40,552	2,519	20,367	63,438	74,295	14,404	1,944	90,643
Utilities	51,555	4,474	3,673	59,702	41,930	2,329	2,329	46,588
Other	3,127	13,474	5,967	22,568	21,883	8,994	16,743	47,620
	<u>\$ 2,782,154</u>	<u>\$ 265,954</u>	<u>\$ 185,606</u>	<u>\$ 3,233,714</u>	<u>\$ 2,064,418</u>	<u>\$ 284,777</u>	<u>\$ 281,249</u>	<u>\$ 2,630,444</u>

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

DECEMBER 31, 2022

#### 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 I). 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, 2022, there was an approximately \$973,000 board endowment held at Communities Foundation of Oklahoma. As of December 31, 2021, there was approximately \$1,138,000 of board designated net assets held as a 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, 2022

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, 2022 and 2021.

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 and Grants Receivable: Unconditional promises to give are recognized as revenues or gains in the period received. The Organization considers these contributions and grants receivable to be temporarily restricted support if their use is restricted for specific purposes. As of December 31, 2022 and 2021, contributions and grants receivable of \$382,551 and \$302,718, respectively, are expected to be fully collected, and therefore, no allowance for uncollectible contributions and grants receivable has been included in the accompanying consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2022

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, 2022, approximately 67% of the outstanding contributions and grants receivable were due from four grantors/donors.

Leases: The Organization evaluates new or modified contracts at inception to determine if an arrangement is or contains a lease. The Organization records right-of-use ("ROU") assets and lease liabilities for its finance and operating leases, respectively, on the balance sheet. Leases are initially recognized on the commencement date based on the discounted future lease payments over the term of the lease. Upon initial recognition, the ROU asset includes the lease liability plus initial direct costs and prepaid lease payments, if any, less lease incentives, if any. The lease ROU assets represent the right to use an underlying asset for the lease term, and the lease liabilities represent the obligation to make lease payments arising from the lease. For leases that do not provide an implicit rate, the Organization uses the applicable incremental borrowing rate based on information available at the commencement or modification of the lease in calculating the present value of the sum of lease payments. The lease term is defined as the non-cancellable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. The Organization has elected to not recognize ROU assets and lease liabilities for short-term leases, which are defined as leases with an initial term of 12 months or less. The Organization did not have any significant long-term leases requiring recognition as of December 31, 2022 or 2021.

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, 2022 and 2021.

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, 2022 and 2021. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2022

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

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.

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, 2022 and 2021, development expense was approximately \$186,000 and \$281,000, respectively.

In-kind Contributions: Contributed nonfinancial assets include donated professional services and other in-kind contributions which are recorded at the respective fair values of the goods or services received. Contributed goods and services are recorded at fair value at the date of the donation.

Recently Adopted Accounting Pronouncement: During 2022, the Organization adopted FASB 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.

During 2022, the Organization adopted FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07), to improve financial reporting by providing new presentation and disclosure requirements about nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services.

The adoption of ASU 2016-02 and ASU 2020-07 did not have a significant impact on the Organization's financial statements.

Subsequent Events: Subsequent events have been evaluated through August 23, 2023, which is the date the financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2022

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, 2022 and 2021 consisted of the following:

Oklahoma Department of Corrections (ODOC): ODOC directly funded the cost of providing security personnel utilized by the Organization's program. Funding for each of the years ended December 31, 2022 and 2021 totaled approximately \$84,000 and \$59,000, respectively, and is included as an in-kind contribution and program expense in the accompanying financial statements.

Remerge has a contract with ODOC for the operation of the Performance for Success (PFS) program providing gender-specific, trauma-informed mental health and substance abuse treatment along with support services and supervision. The contract is for up to three annual periods beginning May 1, 2021, however, only one-year periods are guaranteed. Remerge recognized ODOC PFS grant revenues of approximately \$222,000 and \$21,000 for the years ended December 31, 2022 and 2021, respectively.

Oklahoma Department of Human Services (OKDHS): Remerge entered into a contract agreement with OKDHS under the Supplemental Nutrition Assistance Program (SNAP) of up to \$400,320 per year for up to five annual periods beginning February 1, 2020 through September 30, 2024. Remerge recognized SNAP support of approximately \$182,000 and \$202,000 for the years ended December 31, 2022 and 2021, respectively.

Remerge entered into a federally funded contract agreement with OKDHS under the Temporary Assistance for Needy Families (TANF) program of up to \$302,570 per year for up to three annual periods beginning November 1, 2021 through September 30, 2024. Remerge recognized TANF support of approximately \$201,000 for the year ended December 31, 2022.

U.S. Department of Health and Human Services (DHHS): Remerge received a grant award from the U.S. DHHS Substance Abuse and Mental Health Services Administration (SAMHSA) for up to five annual periods beginning September 30, 2022 through September 29, 2027 to expand substance abuse disorder treatment and recovery support services in existing drug courts. The award is for up to \$400,000 per annual budget period, subject to the availability of funds and satisfactory progress of the project. Remerge recognized SAMHSA support of approximately \$71,000 for the year ended December 31, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2022

NOTE C--NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Remerge Continuing Care	\$ 7,861	\$ 14,896
Court related services	5,000	-
Hope Navigator Training	25,000	-
Zeba House new participant needs	14,493	31,414
Catalyst Cookies and salaries	38,751	63,517
Health and wellness	25,004	26,394
Other	16,953	6,859
	<u>\$ 133,062</u>	<u>\$ 143,080</u>

NOTE D--LEVERAGE LOAN RECEIVABLE

During 2018, the Organization entered into a structured arrangement in order to generate New Market Tax Credits (see Note I). 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, 2022 are as follows:

2023	\$ -
2024	-
2025	74,080
2026	298,177
2027	301,170
Thereafter	<u>5,518,573</u>
	<u>\$ 6,192,000</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

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

DECEMBER 31, 2022

#### NOTE E--BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

During 2022, the Organization created a designated agency endowment fund held by Communities Foundation of Oklahoma (CFO) with a contribution from the Organization of \$975,000. Under the terms of CFO's designated fund policies, CFO has variance power over these assets, and only that portion of the assets contributed by the Organization together with earnings thereon, is considered to represent the present value of future distributions expected to be made to the Organization. Of the total fund balance at December 31, 2022, \$972,601 represents contributions and accumulated earnings net of distributions by the Organization and is included as an asset in the accompanying statements of financial position. Assets contributed by third party donors, totaling \$75,319 at December 31, 2022 are not reported in the Organization's financial statements.

#### NOTE F--FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization follows the requirements of the FASB's ASC 820 with respect to financial assets and liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value under ASC 820 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad categories.

The three levels of the fair value hierarchy under ASC 820 are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2* - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2022

NOTE F--FAIR VALUE OF FINANCIAL INSTRUMENTS--CONTINUED

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Beneficial Interest in Funds Held by Others:* Investments are primarily pooled investment funds held and managed by CFO, which the Organization does not have the ability to redeem. CFO's pooled investments consist primarily of equity and fixed income mutual funds which are considered level 1 investments. The Organization's interest is recorded at its net asset value which is not required to be reported in the fair value hierarchy.

NOTE G--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 ODOC. The note is interest free unless default occurs. Payments are to be repaid with the Pay for Success revenues received from ODOC, and the note is projected to be paid off during 2023. The loan has a balance of \$371,471 as of December 31, 2022.

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, 2022 and 2021.

Future principal maturities under the MetaFund Sub note payable agreements as of December 31, 2022 are as follows:

2023	\$	-
2024		-
2025		80,265
2026		324,459
2027		329,972
Thereafter		<u>8,265,304</u>
		9,000,000
Less Loan Origination Costs		<u>233,291</u>
	\$	<u><u>8,766,709</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2022

NOTE H--PPP FORGIVABLE NOTE

On April 10, 2020, the Organization was granted a loan from 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 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.

NOTE I--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 J--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 \$17,000 and \$20,000 for the years ended December 31, 2022 and 2021, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

DECEMBER 31, 2022

NOTE K--IN-KIND CONTRIBUTIONS

For the years ended December 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2022</u>	<u>2021</u>
Employment services	\$ 26,268	\$ 22,579
Bus & taxi passes for participants	13,950	3,500
Legal aid services	106,259	81,157
Embedded therapist and PRSS	163,501	71,556
Probation officer	84,032	58,538
Laptops donated for participants	16,250	-
Technical assistance - OKC Rescue Program	15,000	-
Raffle and fundraising items	4,056	50,414
InterCity Visit Conference	1,750	-
Miscellaneous health and wellness items for clients	9,623	4,471
Other miscellaneous	1,967	885
	<u>\$ 442,656</u>	<u>\$ 293,100</u>

NOTE L--LIQUIDITY

The Organization has approximately \$2,512,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and receivables. 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.

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	ReMerge	ReMRE	Eliminations	
	Amount Prior	Amount Prior	in	
	to	to	Consolidation	Consolidated
	<u>Elimination Entries</u>	<u>Elimination Entries</u>	<u>Consolidation</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,194,360	\$ 68,583	\$ -	\$ 2,262,943
Cash and cash equivalents - funds held in trust	6,507	-	-	6,507
Cash and cash equivalents - replacement reserve	-	100,881	-	100,881
Contributions and grants receivable	382,551	-	-	382,551
Prepaid expenses and other assets	38,475	-	-	38,475
Beneficial interest in funds held by others	972,601	-	-	972,601
Leverage loan receivable	6,192,000	-	-	6,192,000
Fixed assets:				
Furniture and equipment	80,477	644,413	-	724,890
Land	-	489,799	-	489,799
Building	-	7,190,554	-	7,190,554
	<u>80,477</u>	<u>8,324,766</u>	<u>-</u>	<u>8,405,243</u>
Less accumulated depreciation	<u>50,629</u>	<u>849,704</u>	<u>-</u>	<u>900,333</u>
	<u>29,848</u>	<u>7,475,062</u>	<u>-</u>	<u>7,504,910</u>
Total assets	<u>\$ 9,816,342</u>	<u>\$ 7,644,526</u>	<u>\$ -</u>	<u>\$ 17,460,868</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 37,483	\$ -	\$ -	\$ 37,483
Accrued leave	39,540	-	-	39,540
Accrued payroll and payroll taxes	51,362	-	-	51,362
Funds held in trust	6,507	-	-	6,507
Notes payable	371,471	8,766,709	-	9,138,180
Total liabilities	<u>506,363</u>	<u>8,766,709</u>	<u>-</u>	<u>9,273,072</u>
<b>Net Assets:</b>				
Without donor restrictions	8,200,061	(1,122,183)	-	7,077,878
Board designated endowment	972,601	-	-	972,601
With donor restrictions	<u>137,317</u>	<u>-</u>	<u>-</u>	<u>137,317</u>
Total net assets	<u>9,309,979</u>	<u>(1,122,183)</u>	<u>-</u>	<u>8,187,796</u>
Total liabilities and net assets	<u>\$ 9,816,342</u>	<u>\$ 7,644,526</u>	<u>\$ -</u>	<u>\$ 17,460,868</u>

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, 2022

	ReMerge	ReMRE	Eliminations	
	Amount Prior	Amount Prior	in	
	to	to	Consolidation	Consolidated
	Elimination Entries	Elimination Entries	Consolidation	Consolidated
<b>SUPPORT AND OTHER REVENUES</b>				
Contributions and grants	\$ 2,041,380	\$ -	\$ -	\$ 2,041,380
Government grants	882,848	-	-	882,848
Interest income	98,068	1,433	-	99,501
In-kind	442,656	-	-	442,656
Realized and unrealized gain (loss) on endowment	(2,399)	-	-	(2,399)
Other revenue	19,516	185,000	(185,000)	19,516
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	<b>3,482,069</b>	<b>186,433</b>	<b>(185,000)</b>	<b>3,483,502</b>
<b>EXPENSES</b>				
Salaries and personnel	1,263,216	-	-	1,263,216
External salary support	84,032	-	-	84,032
Accounting and professional	176,426	14,600	-	191,026
Building costs and maintenance	60,291	10,431	-	70,722
Client assistance	106,517	-	-	106,517
Client food and kitchen	39,832	-	-	39,832
Client housing	214,571	-	-	214,571
Client medical and dental	22,388	-	-	22,388
Client transportation	85,864	-	-	85,864
Client training, general and other	302,146	-	-	302,146
Client work program	94,493	-	-	94,493
Depreciation	10,184	273,254	-	283,438
Insurance	49,884	-	-	49,884
Interest and amortization expense	-	161,018	-	161,018
Internet and communication	60,474	665	-	61,139
Luncheon and events	46,910	-	-	46,910
Rent	185,000	-	(185,000)	-
Supplies	10,810	-	-	10,810
Training	63,438	-	-	63,438
Utilities	59,702	-	-	59,702
Other	22,145	423	-	22,568
<b>TOTAL EXPENSES</b>	<b>2,958,323</b>	<b>460,391</b>	<b>(185,000)</b>	<b>3,233,714</b>
<b>CHANGE IN NET ASSETS</b>	<b>523,746</b>	<b>(273,958)</b>	<b>-</b>	<b>249,788</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>8,786,233</b>	<b>(848,225)</b>	<b>-</b>	<b>7,938,008</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 9,309,979</b>	<b>\$ (1,122,183)</b>	<b>\$ -</b>	<b>\$ 8,187,796</b>

See independent auditors' report on supplementary consolidating information.

REMERGE OF OKLAHOMA COUNTY, INC.  
AND AFFILIATE

SCHEDULE III - CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	ReMerge	ReMRE	Eliminations	
	Amount Prior	Amount Prior	in	
	to	to	Consolidation	Consolidated
	<u>Elimination Entries</u>	<u>Elimination Entries</u>	<u>Consolidation</u>	<u>Consolidated</u>
<b>ASSETS</b>				
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 and grants receivable	300,368	-	-	300,368
Contributions receivable - 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	<u>\$ 9,509,584</u>	<u>\$ 7,910,945</u>	<u>\$ -</u>	<u>\$ 17,420,529</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
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
<b>Net Assets:</b>				
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	<u>\$ 9,509,584</u>	<u>\$ 7,910,945</u>	<u>\$ -</u>	<u>\$ 17,420,529</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, 2021

	ReMerge	ReMRE	Eliminations	
	Amount Prior	Amount Prior	in	
	to	to	Consolidation	Consolidated
	Elimination Entries	Elimination Entries	Consolidation	Consolidated
<b>SUPPORT AND OTHER REVENUES</b>				
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)	(9,758)	185,000	(185,000)	(9,758)
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	<b>2,253,513</b>	<b>185,009</b>	<b>(185,000)</b>	<b>2,253,522</b>
<b>EXPENSES</b>				
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	38,023	-	-	38,023
Client food and kitchen	36,311	-	-	36,311
Client housing	144,101	-	-	144,101
Client medical and dental	61,685	-	-	61,685
Client transportation	45,807	-	-	45,807
Depreciation	18,939	271,511	-	290,450
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	46,904	716	-	47,620
<b>TOTAL EXPENSES</b>	<b>2,345,420</b>	<b>470,024</b>	<b>(185,000)</b>	<b>2,630,444</b>
<b>CHANGE IN NET ASSETS</b>	<b>(91,907)</b>	<b>(285,015)</b>	<b>-</b>	<b>(376,922)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>8,878,140</b>	<b>(563,210)</b>	<b>-</b>	<b>8,314,930</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 8,786,233</b>	<b>\$ (848,225)</b>	<b>\$ -</b>	<b>\$ 7,938,008</b>

See independent auditors' report on supplementary consolidating information.



**Independent Auditors' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAP") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ReMerge of Oklahoma County, Inc. ("ReMerge") and ReMRE, Inc. ("ReMRE") (collectively the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 23, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Rose Rock CPAs PLLC**

Edmond, Oklahoma

August 23, 2023