REACH OUT, INC.
ANADARKO, OKLAHOMA

FINANCIAL STATEMENTS AND AUDITORS' REPORT

DECEMBER 31, 2019

[redacted]

Jackson, Fox and Richardson
A Professional Corporation
Certified Public Accountants
Ardmore, Oklahoma

TABLE OF CONTENTS

JACKSON, FOX and RICHARDSON
A Professional Corporation
Certified Public Accountants
PO Box 1171 * 129 C Northwest
Ardmore, Oklahoma 73402-1171
Donald L. Jackson (1948-2015)
Kathy A. Fox CPA
Gabriel M. Richardson CPA

(580) 223-1877 Fax (580) 223-1880
www.cpa-ok.com

kathy@cpa-ok.com
gabe@cpa-ok.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Reach Out, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Reach Out, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reach Out, Inc. as of December 31, 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information beginning on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021, on our consideration of Reach Out, Inc.'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 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 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 Reach Out, Inc.'s internal control over financial reporting and compliance.

Jackson, Fox & Richardson PC

Ardmore, Oklahoma
August 31, 2021

Reach Out, Inc.
Statement of Financial Position
December 31, 2019

Assets	
Current Assets	
Cash	$ 171,774
Contracts Receivable	270,905
Total Current Assets	442,679
Long-Term Assets	
Furniture, vehicles and equipment	127,910
Less accumulated depreciation	(91,343)
Total Long-Term Assets	36,567
Total Assets	$ 479,246
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 1,565
Compensated absences	8,763
Salaries payable	204,859
Other liabilities	18,902
Current portion long term debt	14,875
Total current liabilities	248,964
Long-term liabilities	-
Net Assets, without donor restrictions	230,282
Total Liabilities and Net Assets	$ 479,246

The accompanying notes are an integral part of these financial statements.

Reach Out, Inc.
Statement of Activities
Year ended December 31, 2019

Revenues	
Fees and contracts from government agencies	$ 3,820,817
Gain (loss) on sale of assets	-
Miscellaneous income	510
Total Revenues	3,821,327
Expenses	
Program expenses	2,386,461
Supporting services	1,436,776
Total Functional Expenses	3,823,237
Change in Net Assets	(1,909)
Beginning Net Assets	232,191
Ending Net Assets	$ 230,282

The accompanying notes are an integral part of these financial statements.

Reach Out, Inc.
Statement of Cash Flows
Year ended December 31, 2019

Cash Flows From Operating Activities	
Change in Net Assets	$ (1,909)
Adjustments to reconcile changes in net assets to net cash provided by operations	
Depreciation	15,130
Contracts receivable	(52,220)
Accounts payable	(162)
Compensated absences	(193)
Payroll taxes payable	(5,297)
Salaries payable	110,718
Cash provided by operations	66,067
Investing Activities	
Investment in equipment	(12,851)
Financing Activities	
Note Receivable	-
Note Payables	(25,132)
	(25,132)
Net Changes in Cash and Cash Equivalents	28,084
Beginning Cash	143,690
Ending Cash	$ 171,774

The accompanying notes are an integral part of these financial statements.

Reach Out, Inc.
Statement of Functional Expenses
Year ended December 31, 2019

Direct Program Expenses	
Direct payroll and taxes	$ 2,243,314
Direct transportation	143,147
Total direct costs	2,386,461
Supporting Expenses	
Accounting	18,959
Administration salary and expenses	1,007,437
Advertising	-
Bank Charges	2,292
Client Expense	11,498
Contract Labor	62,122
Depreciation	15,130
Dues, Fees, or Subscriptions	210
Employee Expense	215
Employer Expense	9,738
Equip Rental Maintenance	18,252
Equip Supplies	332
Insurance-Health	93,830
Insurance-Other	75,463
Interest expense	1,028
Office expense	16,756
Repairs & Maint	14,893
Telephone	11,864
Travel	74,827
Utilities	1,931
Property Taxes	
Total Supporting Expenses	1,436,776
Total Functional Expenses	$ 3,823,237

The accompanying notes are an integral part of the financial statements

Reach Out, Inc.
Notes to Financial Statements
December 31, 2019

Note 1—Organization and Summary of Significant Accounting Policies

Nature of Organization
Reach Out, Inc. was incorporated on April 17, 1995, as a not-for-profit corporation in Oklahoma. The Organization is a provider of habitation training, homemaker, respite and transportation services to developmentally disabled persons of a multi-county area.

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles established in the United States of America.

Tax Exempt Status
Reach Out, Inc. is an exempt organization for Federal Income tax purposes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Organization files a Form 990 with the IRS annually. Generally, income tax returns related to the current and three prior years remain open for examination by taxing authorities.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, cash on deposit, savings account, money market funds and any other investments with original maturities of three months or less.

Donated Property and Equipment
Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donation of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing net assets with donor restrictions. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions each year for the amount of the donated property and equipment's depreciation expense.

Change in Accounting Principle
The Organization implemented Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. The adoption of this standard for the year ended December 31, 2019 did not result in a change to the accounting for Reach Out, Inc.'s revenue. Management believes the standard improves the usefulness and understandability of the Association's financial reporting.

Change in Accounting Principle (cont.)

The Organization also adopted Accounting Standards Update (ASU) 2014-09, Not-for-Profit Entities (Topic 606) – *Revenue from Contracts with Customers* in 2019. The update addresses when an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Organization has consistently applied the accounting policies to the period presented in these financial statements.

Reach Out, Inc. reports fees at the amounts that reflect the consideration to which we expect to be entitled in exchange for providing patient care. These amounts are due from government programs, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, we invoice several days after the services are performed. Revenues are recognized as performance obligations are satisfied. Program services under the Oklahoma Department of Human Services contracts comprise 100% of Reach Out, Inc.'s accounts receivables. Interest is not charged for delinquent accounts and no provision is made for uncollectable accounts, as all receivables are considered collectable. Such determination is based on the collection history of Reach Out, Inc.

Because our patient services performance obligations relate to contracts with a duration of less than one year, we have elected to apply the optional exemption provided in FASB Accounting Standard Codification (ASC) 606-10-50-14(a) and, therefore, we are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to services at the end of the reporting period.

We determine the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers. We determine our estimate of implicit price concessions based on our historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments.

Reach Out, Inc.
Notes to Financial Statements
December 31, 2019

Land, Building and Equipment

Reach Out, Inc. capitalizes expenditures as depreciable fixed assets when the cost meets a threshold and has an estimated life of three years or more. Expenditures for physical properties are stated at cost. Depreciation of physical properties is calculated on the straight-line method over the following estimated useful lives:

Vehicle	5 years
Computers and fixtures	5-7 years
Building, Improvements	15-30 years

Allocation of Supporting Service Expenditures

The Organization's policy is to allocate the indirect expenses of supporting services based on relevant measures such as personnel time, floor space, revenues generated, or supplies consumption.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2—Cash, Cash Equivalents, and Investments

Financial instruments that potentially subject Reach Out, Inc. to concentrations of credit risk consist principally of cash deposits. The Organization maintains its cash deposits in bank depository, which at times may exceed federally insured limits. Reach Out, Inc. does not require collateral on such excess balances. Reach Out, Inc. has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for the years under audit. For 2019, all the cash balances for Reach Out, Inc. were within FDIC insured limits.

Note 3—Functional Allocation of Expenses

The cost of providing the programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services.

Reach Out, Inc.
Notes to Financial Statements
December 31, 2019

Note 4—Property and Equipment

The costs and related accumulated depreciation of vehicles and equipment consisted of the following:

Classification	Beginning of the year	Additions	Deletions	End of Year
Furniture and Equipment	$ 28,366	$ 6,168		$ 34,534
Building Improvements	17,165			17,165
Vehicles	69,527	6,683		76,210
	115,058	- 12,851	- -	- 127,909
Less accumulated depreciation	(76,213)	(15,130)	-	(91,343)
	$ 38,845	$ (2,279)	$ -	$ 36,566

Current depreciation and amortization included in the financial statements is $ 15,130.

Note 5—Compensated Absences

Reach Out, Inc. allows vesting of accrued vacation. The total vested compensated absences at December 31, 2019 were $8,763.

Note 6—Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has not designated, from net assets without donor restrictions, net assets held by the Organization for an operating reserve.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

No restrictions have been placed on the Organization's net assets for 2019.

Note 7—Risk Management

Reach Out, Inc. is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Reach Out, Inc. carries commercial insurance for risks of loss, including workers' compensation and general liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8—Related Party Transactions

Rents—The Organization rents its office facility from the Executive Director. No rental payments were made for the year 2019.

Notes Payable/Receivable—The Organization borrowed from its officers. Total borrowings made were as follows:

Borrowings

2009	$50,000
2010	13,500
2011	120,000
2013	15,500
2014	30,000
2018	6,000

Notes were executed and the details are included in long term debt disclosures.

Personnel—the Organization employs relatives of the Executive Director. Total wages paid were

2019	$ 463,000

Note 9—Commitments and Contingencies

Government Support
Reach Out, Inc. receives a majority (99%) of its support from state government. A significant reduction in the level of this support, if this were to occur, may have an effect on Reach Out, Inc.'s programs and activities.

Concentrations of Credit Risk
Reach Out, Inc. grants credit to customers in the form of receivables, which are potentially subject to concentrations of credit risk. As noted in Note 1, 100% of receivables are due from the State of Oklahoma.

Note 10—Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of December 31, 2019, through the date of issuance of these financial statements, August 31, 2021, and have determined that the economic and market volatility that took place in March 2020 stemming from the COVID-19 outbreak were not representative of current conditions as of the balance sheet date of December 31, 2019 and it is unlikely it would be considered reasonable and supportable in forecasts of future conditions as of that date.

Note 11—Long Term Debt

A summary of long term debt follows:

The Organization rolled all borrowings from the Executive Director into a note. On December 31, 2019, the amount was $14,875. Monthly payments are $2,259 and the note bears interest at 4.9%.

A summary of five-year maturities follows:

Due date	Principal
2020	$14,875
Ends in 2020	

Note 12—Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are as follows:

Cash and cash equivalents	$171,774
Accounts receivable	270,905
	$442,679

SUPPLEMENTAL INFORMATION

Reach Out, Inc.
Supported Living Room and Board
Compliance Test
Page 1 of 2
Year ended December 31, 2019
(Unaudited)

I. Room and Board Carryover from Fiscal Year 2018:

1) Amount shown under Section IV. Carryover Calculations of FY 2018 schedule (or most recent schedule).			$ 409	
II. Current Fiscal Year:				
2) Supported Living Room and Board Revenues				
Procedure Code W4576	$ 12,890			
Procedure Code W4577	9,304			
Service Recipient Fees (Total amount due from service recipient(s) whether or not actually collected.)	12,294			
Total of Supported Living Room and Board Revenues		$ 34,488		
3) Supported Living Room and Board Expenditures				
Housing costs and utilities	23,944			
Groceries	5,662			
Household Maintenance	1,568			
Recreation	1,773			
Personal Items and Clothing	1,953			
Household Property Insurance				
Yard Care	660			
Furnishings and Appliances	0			
Health Insurance Co-Payments/medical cost/speciality diet	181			
Other (Requires prior written approval of DDSD Programs Administrator for Community Services.)				
Total of Supported Living Room and Board Expenditures		35,742		
4) Fiscal Year Supported Living Room and Board Revenues Minus Supported Living Room and Board Expenses Line (2) minus Line (3)			(1,254)	
5) Supported Living Room and Board Fund Balance at end of Fiscal Year Line (1) plus Line (4)				(845)

Reach Out, Inc.
Supported Living Room and Board
Compliance Test
Page 2 of 2
Year ended December 31, 2019
(Unaudited)

III. Excessive Balance Test

6) Total Supported Living Room and Board Revenues for the fiscal year (Total of Line (2))	$ 34,488		
7) Carry Over Limit	5%		
8) Maximum Carry Over Amount (Line (6) times Line (7))		$ 1,724	
9) Supported Living Room and Board Fund Balance in excess of Carry Over Limit (Line (5) minus Line (8))			(2,570)
10) Excessive Balance (Amount to be refunded to OKDHS) (If Line (9) is greater than zero, enter amount from Line (9), otherwise enter zero)			-

IV. Carryover Calculation

11) TOTAL AMOUNT TO CARRY OVER TO FISCAL YEAR 2020 (If Line (9) is less than zero, enter higher of amount on Line (5) or zero, otherwise enter the amount from Line (8))			$ -

V. Statistical Data

12) Total days of Supported Living Service Provided	365
13) Number of Individuals Served (Unduplicated Count)	2

Reach Out, Inc.
Supported Living Special Needs
Medical Compliance Test
Year ended December 31, 2019
(Unaudited)

(1)	FY19 Revenues for W4581, Special Needs - Medical (Amount should match amount show n on the Supplemental Information Schedule, SL column, for procedure Code W4581, Special Needs - Medical.)	$	169
(2)	FY19 Expenditures for W4581, Special Needs - Medical (Amount should match amount show n on the Supplemental Informtion Schedule, SL column, in the Medical Costs section.)	$	181
(3)	Difference in Special Needs Revenues and Expenditures	$	(12)
(4)	FY19 Revenues in excess of expenditures: If Line (3) is greater than 0, enter amount on Line (3), Otherw ise enter zero. (This is the amount to be refunded to DHS.)	$	-

Reach Out, Inc.
DDS Combined Room & Board
Compliance Schedule
Year ended December 31, 2019
(Unaudited)

REVENUES		
Service Recipient Fees	$ -	
Other Non-Medicaid Room and Board Revenues (Must indicate source and cover adjusted R&B expenditures) *Source of Other Revenue: ____________	$ -	
TOTAL REVENUES		$ -
EXPENDITURES		
Non-Medicaid Room and Board Expenditures	$ -	
Non-Medicaid Facilities/Maintenance Expenditures	$ -	
TOTAL EXPENDITURES		$ -
TOTAL ROOM AND BOARD REVENUES MINUS ROOM AND BOARD EXPENDITURES **(Must not be a negative amount)**		$ -
Total Days of Room and Board Service Provided		365
Number of Individuals Served (Unduplicated count)		26

***42 CFR 441.31(a)(2): "Federal Financial Partcipation for home and community-based services .... is not available in expenditures for the ....cost of room and board..."**

Reach Out, Inc.
Schedule of Expenditures of State Awards
December 31, 2019
(Unaudited)

Oklahoma Department of Human Services Supported Living Room and Board	Period	Program Award Amount	Receipts	Disbursements
Procedure Code W4576	1/1/19-12/31/19	$ 12,890	$ 12,890	$ 12,890
Procedure Code W4577	1/1/19-12/31/19	9,304	9,304	9,304
Procedure Code W4581	1/1/19-12/31/19	169	169	169
Procedure Code W4698	1/1/19-12/31/19	1,564	1,564	1,564

JACKSON, FOX, and RICHARDSON
A Professional Corporation
Certified Public Accountants
PO Box 1171 * 129 C Northwest
Ardmore, Oklahoma 73402-1171
Donald L. Jackson (1948-2015)
Kathy A. Fox CPA
Gabriel M. Richardson CPA

(580) 223-1877 Fax (580) 223-1880
www.cpa-ok.com

kathy@cpa-ok.com
gabe@cpa-ok.com

INDEPENDENT AUDITOR'S 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 of
Reach Out, Inc.

We have audited, in accordance with the 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, the financial statements of Reach Out, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reach Out, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reach Out, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Reach Out, Inc.'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See A-1 and A-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reach Out, Inc.'s 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items A-1 and A-4.

Reach Out, Inc.'s Response to Findings

Reach Out, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Jackson, Fox & Richardson PC

Ardmore, Oklahoma
August 31, 2021

Reach Out, Inc.
Schedule of Findings and Responses
December 31, 2019

A-1 Maintenance of accounting records (repeat finding)

Criteria: Accounting records are to be maintained contemporaneously and in sufficient detail to enable auditors to examine the propriety of charges to the various programs and contracts.

Finding: The Organization did not include a separate bank account that handles the bill payments for some of its customers in their general ledger system.

Effect: While these transactions were not material transactions to the overall financial statements, they were maintained "*off-the-books*" and thus could result in data that is incomplete or in error.

Recommendation: The Organization should include this account in their general ledger accounting system.

Response: Management agrees and will take appropriate steps.

A-4 Questioned Costs Advances and Borrowings (repeat finding)

Criteria: Not-for-profit organizations are generally prohibited from engaging in advances or borrowings to or from officers, directors, or key employees.

Finding: During the year under audit, the Organization still have balances due from borrowing funds from related parties and engaged in borrowing from prohibited persons.

Effect: These transactions could result in loss of not-for-profit status. Also, these transactions are not an appropriate use of program funds.

Recommendation: We recommend the Organization immediately cease and desist all related party transactions, repay all borrowings, and repay all advances.

Response: Management agrees and will take appropriate steps.