

EMERGENCY INFANT SERVICES, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2017 AND 2016

EMERGENCY INFANT SERVICES, INC.

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Emergency Infant Services, Inc.
Tulsa, Oklahoma

We have audited the accompanying financial statements of Emergency Infant Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Emergency Infant Services, Inc. as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tulsa, Oklahoma
March 28, 2018

CCK STRATEGIES, PLLC

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
ASSETS		
Cash	\$ 1,085,801	\$ 136,926
Certificates of deposit	233,270	359,646
Contributions receivable	35,000	105,000
Capital campaign receivables, net	3,204,953	-
Beneficial interest in net assets at TCF	266,034	237,963
Prepays and other current assets	20,415	33,792
Property and equipment, net	2,763,181	577,029
Total assets	\$ 7,608,654	\$ 1,450,356
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 16,551	\$ 19,745
Accrued liabilities	31,006	27,148
Deferred revenue	107,000	115,800
Note payable	2,208,414	-
Total liabilities	2,362,971	162,693
 NET ASSETS		
Unrestricted	1,023,593	1,027,973
Temporarily restricted	4,222,090	259,690
Total net assets	5,245,683	1,287,663
Total liabilities and net assets	\$ 7,608,654	\$ 1,450,356

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Revenues		
Contributions	\$ 705,187	\$ 694,915
Fundraising	118,790	158,797
Special event	707,783	597,002
Less: Costs of direct benefit to donors	(85,502)	(73,769)
Interest	6,604	1,701
Total Revenues	1,452,862	1,378,646
Net assets released from restriction	234,714	214,396
Total Unrestricted Support	1,687,576	1,593,042
Expenses		
Program services		
Food, formula, clothing and equipment	339,053	352,052
Personnel	643,101	621,503
Office and occupancy	136,051	145,655
Depreciation	32,507	34,594
	1,150,712	1,153,804
General and administrative		
Personnel	121,904	123,476
Office and occupancy	50,526	47,561
Fundraising	223,200	200,590
Professional fees	75,552	56,753
Depreciation	8,127	8,648
Interest expense	61,935	-
	541,244	437,028
Total Expenses	1,691,956	1,590,832
(Decrease) Increase in Unrestricted Net Assets	(4,380)	2,210
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	147,838	167,401
Capital campaign contributions	4,021,205	-
Investment income (loss)	28,071	(16,230)
Net assets released from restriction	(234,714)	(214,396)
Increase (decrease) in Temporarily Restricted Net Assets	3,962,400	(63,225)
TOTAL INCREASE (DECREASE) IN NET ASSETS	3,958,020	(61,015)
NET ASSETS - beginning of year	1,287,663	1,348,678
NET ASSETS - end of year	\$ 5,245,683	\$ 1,287,663

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries and benefits	\$ 643,101	\$ 121,904	\$ 765,005	\$ 621,503	\$ 123,476	\$ 744,979
Food, formula, and milk	242,972	-	242,972	222,218	-	222,218
Diapers and clothing	41,140	-	41,140	82,105	-	82,105
Other client support	54,941	-	54,941	47,729	-	47,729
Rent	51,088	540	51,628	47,713	480	48,193
Office expense	39,369	29,045	68,414	40,398	11,704	52,102
Depreciation	32,507	8,127	40,634	34,594	8,648	43,242
Fundraising	-	223,200	223,200	-	200,590	200,590
Professional fees	-	75,552	75,552	-	56,753	56,753
Interest	-	61,935	61,935	-	-	-
Other	45,594	20,941	66,535	57,544	35,377	92,921
Totals	<u>\$ 1,150,712</u>	<u>\$ 541,244</u>	<u>\$ 1,691,956</u>	<u>\$ 1,153,804</u>	<u>\$ 437,028</u>	<u>\$ 1,590,832</u>

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 3,958,020	\$ (61,015)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	(15,022)	18,386
Depreciation	40,634	43,242
Changes in operating assets and liabilities		
Contributions receivable	70,000	(45,000)
Capital campaign receivables	(3,204,953)	-
Beneficial interest in net assets at TCF	-	(2,156)
Prepays and other current assets	13,377	(2,787)
Accounts payable	(3,194)	17,616
Accrued liabilities	3,858	3,699
Deferred revenue	(8,800)	(16,060)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>853,920</u>	<u>(44,075)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	-	(193,032)
Maturities of certificates of deposit	126,376	79,000
Purchases, net, in TCF account	(13,049)	-
Purchase of property and equipment	(2,226,786)	(30,206)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(2,113,459)</u>	<u>(144,238)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from note payable	2,208,414	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,208,414</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	948,875	(188,313)
CASH, beginning of year	<u>136,926</u>	<u>325,239</u>
CASH, end of year	<u>\$ 1,085,801</u>	<u>\$ 136,926</u>

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Emergency Infant Services, Inc. (EIS) was formed to meet the needs of infants and small children whose families are in crisis or emergency situations. Since 1977, EIS has served the greater Tulsa, Oklahoma area by providing basic necessities, such as diapers, formula, clothes, car seats, and food, at no cost to the families and without income qualifiers. EIS assists families from three locations in Tulsa, Oklahoma: its downtown headquarters, an eastside location, and a satellite southside facility. EIS operations are supported by contributions from various foundations, corporations, individuals, religious organizations, civic groups, and special fundraising activities sponsored by EIS. EIS is exempt from federal income taxation under Section 509(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Certificates of Deposit

Certificates of deposit all have terms of greater than three months and recorded at fair value, which approximates amortized cost.

Capital Campaign Receivables

Capital campaign receivables represent promises to give which are restricted for purposes outlined in the capital campaign. The receivables are recorded at their net realizable amounts, and commitments with payment terms greater than one year are discounted to their net present value.

Investments

Interest and dividends earned on investments and realized and unrealized investment appreciation (depreciation) are reported as an increase (decrease) in temporarily restricted net assets.

Property and Equipment

Property and equipment are recorded at cost. Additions and improvements in excess of \$500 are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which are as follows:

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Building	39 years
Building and leasehold improvements	15 years
Furniture and equipment	5-7 years
Vehicle	5 years

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings in the year of sale.

Net Assets

EIS's net assets, revenues and gains, and expenses are classified as temporarily restricted and unrestricted based on the existence or absence of donor-imposed restrictions.

These classifications are defined as follows:

- Temporarily restricted net assets contain donor-imposed restrictions that permit EIS to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of EIS. Temporarily restricted net assets as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Capital campaign	\$ 3,937,313	\$ -
Crib/carseats	-	2,984
Tulsa Community Foundation - see Note C	266,034	237,963
Building maintenance	18,743	18,743
	\$ 4,222,090	\$ 259,690

- Unrestricted net assets have not been restricted by donors, or donor-imposed restrictions have expired.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

	2017	2016
Capital Campaign	\$ 83,892	\$ -
Food and Formula	131,644	187,933
Equipment and Software	-	19,000
Cribs and Car Seats	19,178	7,463
	\$ 234,714	\$ 214,396

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by EIS. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted contributions, which are both received and released within the same year, are recorded as unrestricted support.

Food, Formula, Clothing and Equipment

EIS purchases food, formula, clothing and equipment and also receives donations of these items. The amount of these items on hand at any time, and whether they were purchased or donated, varies throughout the year. EIS strives to keep an adequate supply on hand to meet short-term demand. Because donated goods are not assigned a value for the financial statements, maintenance of an inventory account of only purchased items is not considered practicable.

Gifts in Kind

Food, clothing, and equipment donated for program services, other goods donated for fundraisers, and the value of contributed time from volunteers are not reflected as contributions in the accompanying statements. In-kind goods contributed for the years ended June 30, 2017 and 2016 are estimated to have exceeded \$1,643,000 and \$923,000, respectively; volunteer service hours are estimated to have exceeded 20,400 and 20,500 hours for the years ended June 30, 2017 and 2016, respectively.

Functional Expenses

The costs of the EIS's programs and supporting services have been reported on a functional basis in the Statements of Activities and Changes in Net Assets. Expenses are charged to a program

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE A- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

based on direct expenses incurred. Expenses which apply to both program and general and administrative categories have been allocated based on estimates by management.

Income Taxes

EIS is exempt for federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private operating foundation under Section 509(a) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements. EIS is required to file annual information tax returns.

EIS evaluates its uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings and discussions with outside experts. Management has determined that EIS had no uncertain tax positions that require adjustment to the financial statements.

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 certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE B - CAPITAL CAMPAIGN RECEIVABLES

All pledges for capital campaign receivables were received during the year ended June 30, 2017. Capital campaign receivables are temporarily restricted and are expected to be received over the next five years as follows:

2018		\$	1,106,714
2019			1,016,667
2020			1,016,667
2021			100,000
2022			100,000
			3,340,048
Less: Allowance for uncollectible contribution			(18,550)
Unamortized discount			(116,545)
			\$ 3,204,953

Four foundations made up approximately 56% of the capital campaign contributions, and two of those foundations make up 45% of the capital campaign receivable balance at June 30, 2017.

NOTE C - BENEFICIAL INTEREST IN NET ASSETS AT TULSA COMMUNITY FOUNDATION

EIS has investments in Tulsa Community Foundation (the TCF Fund), an Oklahoma not-for-profit corporation and community foundation. The mutual intent of EIS and the TCF Fund is to create a permanent endowment for the benefit of EIS. The objective of the investment management and distribution policies is to provide for sufficient fund growth after distribution and investment expenses in order to preserve the inflation-adjusted value of the investment portfolio. Investment management policies are directed by the TCF Fund. The fair value of the EIS's contributions to the TCF Fund was approximately \$266,000 and \$238,000 at June 30, 2017 and 2016, respectively, and is included in beneficial interest in net assets at TCF in the accompanying statements of financial position.

The TCF Fund has also received contributions for EIS which are not included on EIS's financial statements due to EIS granting variance power to the TCF Fund. The fair value of funds held by the TCF Fund for the benefit of EIS, but not reported as an asset in accordance with FASB ASC 958-605-05, were approximately \$185,000 and \$166,000 at June 30, 2017 and 2016, respectively.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

**NOTE C - BENEFICIAL INTEREST IN NET ASSETS AT TULSA COMMUNITY
FOUNDATION (continued)**

The amortized cost, estimated market value and unrealized gains and losses for investments are as follows for June 30, 2017 and 2016:

	2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Cash fund	\$ 13,539	\$ -	\$ -	\$ 13,539
Common stock	215,954	36,541	-	252,495
Total investments	<u>\$ 229,493</u>	<u>\$ 36,541</u>	<u>\$ -</u>	<u>\$ 266,034</u>

	2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Cash fund	\$ 6,646	\$ -	\$ -	\$ 6,646
Common stock	209,798	21,519	-	231,317
Total investments	<u>\$ 216,444</u>	<u>\$ 21,519</u>	<u>\$ -</u>	<u>\$ 237,963</u>

Fair Value Measurements

The fair value measurement standards establish a consistent framework for measuring fair value and a fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 - Quoted prices in active markets for identical securities
- Level 2 - Other significant observable inputs (including quoted prices for similar securities)
- Level 3 - Significant unobservable inputs (including EIS's own assumptions in determining the value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The observable inputs were Level 3 for each investment as of June 30, 2017 and 2016.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2017 and 2016:

	2017	2016
Building	\$ 1,898,240	\$ 378,000
Land	872,000	172,000
Building and leasehold improvements	183,223	189,222
Furniture and equipment	145,759	133,214
Vehicle	33,950	33,950
 Total cost	 3,133,172	 906,386
 Accumulated depreciation	 (369,991)	 (329,357)
 Net property and equipment	 \$ 2,763,181	 \$ 577,029

NOTE E - NOTE PAYABLE

In September 2016, EIS entered into a \$3,000,000 promissory note payable agreement with a bank for the purchase of an existing building and lot. As described in Note H, EIS plans to renovate the building and relocate its primary operations there. The note requires interest only payments until maturity, and is payable monthly at 3.5%. The unpaid principal and interest is due September 17, 2019. The note is collateralized by a mortgage on the purchased real estate and existing EIS building, as well as other assets of EIS, including capital campaign receivables. At June 30, 2017, the note payable balance was \$2,208,414.

NOTE F - LEASE COMMITMENT

EIS has a joint use operating lease agreement for the facilities it shares with another nonprofit organization for its Eastside Location, with future estimated payments due for the years ending June 30, as follows:

2018	\$ 54,473
2019	54,173
2020	27,087
	\$ 135,733

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE F – LEASE COMMITMENT *(continued)*

Operating lease expense totaled approximately \$52,000 and \$48,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE G - EMPLOYEE RETIREMENT PLAN

EIS has a SIMPLE IRA retirement plan for the benefit of its employees. Employees who meet eligibility requirements may contribute to the plan. EIS matches employee deferrals up to 3% of the employee's compensation. For the years ended June 30, 2017 and 2016, the amount contributed by EIS was approximately \$11,500 and \$11,200, respectively.

NOTE H - CAPITAL CAMPAIGN

In 2016, EIS initiated a capital campaign with the goal of raising sufficient funds to acquire and renovate a new building, establish a building maintenance fund, and to pay off debt as discussed in Note E. Renovations on the new building are expected to begin in August 2018 and are expected to be completed in June 2019. After renovations are completed, EIS will relocate its office and be able to expand its operations to better serve families in crisis in the greater Tulsa area. At June 30, 2017, EIS has received cash contributions and pledges designated for the capital campaign totaling \$4,021,205.

Subsequent to year-end, EIS has received additional cash contributions and pledges designated for capital campaign bringing the total to approximately \$5.6 million through the date of the audit report.

NOTE I - SUBSEQUENT EVENTS

EIS has evaluated subsequent events and their related disclosure through the audit report date which coincides with the financial statement issuance date and identified no such events to be disclosed, except as identified in Note H.