

EMERGENCY INFANT SERVICES, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018 AND 2017

EMERGENCY INFANT SERVICES, INC.

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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, 2018 and 2017, 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, 2018 and 2017, 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.

CCK STRATEGIES, PLLC

Tulsa, Oklahoma
April 24, 2019

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
ASSETS		
Cash	\$ 2,246,079	\$ 1,085,801
Certificates of deposit	371,251	233,270
Contributions receivable	185,000	35,000
Capital campaign receivables, net	3,552,377	3,204,953
Beneficial interest in net assets at TCF	286,658	266,034
Prepays and other current assets	45,611	20,415
Property and equipment, net	2,778,826	2,763,181
Total assets	\$ 9,465,802	\$ 7,608,654
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 49,760	\$ 16,551
Accrued liabilities	27,872	31,006
Deferred revenue	95,000	107,000
Note payable	2,208,414	2,208,414
Total liabilities	2,381,046	2,362,971
 NET ASSETS		
Unrestricted	1,003,387	1,023,593
Temporarily restricted	6,081,369	4,222,090
Total net assets	7,084,756	5,245,683
Total liabilities and net assets	\$ 9,465,802	\$ 7,608,654

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
UNRESTRICTED NET ASSETS		
Revenues		
Contributions	\$ 584,730	\$ 705,187
Fundraising	100,387	118,790
Special event	794,642	707,783
Less: Costs of direct benefit to donors	(77,540)	(85,502)
Interest	8,974	6,604
	1,411,193	1,452,862
Net assets released from restriction	228,665	234,714
	1,639,858	1,687,576
Expenses		
Program services		
Food, formula, clothing and equipment	271,420	339,053
Personnel	601,736	643,101
Office and occupancy	148,237	136,051
Depreciation	31,630	32,507
	1,053,023	1,150,712
General and administrative		
Personnel	115,486	121,904
Office and occupancy	67,125	50,526
Fundraising	275,311	223,200
Professional fees	62,728	75,552
Depreciation	7,908	8,127
Interest expense	78,483	61,935
	607,041	541,244
	1,660,064	1,691,956
Decrease in Unrestricted Net Assets	(20,206)	(4,380)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	363,144	147,838
Capital campaign contributions	1,704,176	4,021,205
Investment income	20,624	28,071
Net assets released from restriction	(228,665)	(234,714)
	1,859,279	3,962,400
Increase in Temporarily Restricted Net Assets	1,859,279	3,962,400
TOTAL INCREASE IN NET ASSETS	1,839,073	3,958,020
NET ASSETS - beginning of year	5,245,683	1,287,663
NET ASSETS - end of year	\$ 7,084,756	\$ 5,245,683

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries and benefits	\$ 601,736	\$ 115,486	\$ 717,222	\$ 643,101	\$ 121,904	\$ 765,005
Food, formula, and milk	190,943	-	190,943	242,972	-	242,972
Diapers and clothing	39,137	-	39,137	41,140	-	41,140
Other client support	41,340	-	41,340	54,941	-	54,941
Rent	52,373	600	52,973	51,088	540	51,628
Office expense	43,712	44,322	88,034	39,369	29,045	68,414
Depreciation	31,630	7,908	39,538	32,507	8,127	40,634
Fundraising	-	275,311	275,311	-	223,200	223,200
Professional fees	-	62,728	62,728	-	75,552	75,552
Interest	-	78,483	78,483	-	61,935	61,935
Other	52,152	22,203	74,355	45,594	20,941	66,535
Totals	<u>\$ 1,053,023</u>	<u>\$ 607,041</u>	<u>\$ 1,660,064</u>	<u>\$ 1,150,712</u>	<u>\$ 541,244</u>	<u>\$ 1,691,956</u>

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,839,073	\$ 3,958,020
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(20,624)	(15,022)
Depreciation	39,538	40,634
Changes in operating assets and liabilities		
Contributions receivable	(150,000)	70,000
Capital campaign receivables	(347,424)	(3,204,953)
Prepays and other current assets	(25,196)	13,377
Accounts payable	33,209	(3,194)
Accrued liabilities	(3,134)	3,858
Deferred revenue	(12,000)	(8,800)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,353,442	853,920
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(137,981)	-
Maturities of certificates of deposit	-	126,376
Purchases, net, in TCF account	-	(13,049)
Purchase of property and equipment	(55,183)	(2,226,786)
NET CASH (USED IN) INVESTING ACTIVITIES	(193,164)	(2,113,459)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from note payable	-	2,208,414
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	2,208,414
NET INCREASE IN CASH	1,160,278	948,875
CASH, beginning of year	1,085,801	136,926
CASH, end of year	\$ 2,246,079	\$ 1,085,801

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 and Cash Concentrations

Certificates of deposit all have terms of greater than three months and are recorded at fair value, which approximates amortized cost. As of June 30, 2018, and at various times during the year, cash in bank exceeded the federally insured limits.

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, 2018 AND 2017

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, 2018 and 2017 consisted of the following:

	2018	2017
Capital campaign	\$ 5,505,968	\$ 3,937,313
Operations - 2019 and 2020	270,000	-
Tulsa Community Foundation - see Note C	286,658	266,034
Building maintenance	18,743	18,743
	\$ 6,081,369	\$ 4,222,090

- 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, 2018 AND 2017

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

	2018	2017
Capital Campaign	\$ 135,521	\$ 83,892
Food and Formula	93,144	131,644
Cribs and Car Seats	-	19,178
	\$ 228,665	\$ 234,714

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, 2018 and 2017 are estimated to have exceeded \$1,153,000 and \$1,643,000, respectively; volunteer service hours are estimated to have exceeded 20,400 and 20,500 hours for the years ended June 30, 2018 and 2017, 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, 2018 AND 2017

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.

NOTE B - CAPITAL CAMPAIGN RECEIVABLES

Capital campaign receivables are temporarily restricted and are expected to be received over the next two years as follows:

2019	\$ 2,232,713
2020	1,446,358
	<u>3,679,071</u>
Less: Allowance for uncollectible contributions	(26,750)
Unamortized discount	<u>(99,944)</u>
	<u><u>\$ 3,552,377</u></u>

Three foundations make up 59% of the capital campaign receivable balance at June 30, 2018. Two pledges totaling \$750,000 are due when the construction project reaches 50% complete.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 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 an 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 \$287,000 and \$266,000 at June 30, 2018 and 2017, 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 \$200,000 and \$185,000 at June 30, 2018 and 2017, respectively.

The amortized cost, estimated market value and unrealized gains and losses for investments are as follows for June 30, 2018 and 2017:

	2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Cash fund	\$ 14,455	\$ -	\$ -	\$ 14,455
Common stock	227,096	45,107	-	272,203
Total investments	<u>\$ 241,551</u>	<u>\$ 45,107</u>	<u>\$ -</u>	<u>\$ 286,658</u>
	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>

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

	2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Cash fund	\$ 14,455	\$ -	\$ -	\$ 14,455
Common stock	227,096	45,107	-	272,203
Total investments	<u>\$ 241,551</u>	<u>\$ 45,107</u>	<u>\$ -</u>	<u>\$ 286,658</u>
	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>

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, 2018 and 2017.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 2,106,720	\$ 1,898,240
Land	706,720	872,000
Building and leasehold improvements	183,723	183,223
Furniture and equipment	157,242	145,759
Vehicle	<u>33,950</u>	<u>33,950</u>
 Total cost	 3,188,355	 3,133,172
 Accumulated depreciation	 <u>(409,529)</u>	 <u>(369,991)</u>
 Net property and equipment	 <u>\$ 2,778,826</u>	 <u>\$ 2,763,181</u>

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, 2018, the note payable balance was \$2,208,414.

On March 1, 2019, this note payable was paid in full.

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:

2019	\$ 54,173
2020	<u>27,087</u>
	<u>\$ 81,260</u>

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE F – LEASE COMMITMENT *(continued)*

Operating lease expense totaled approximately \$53,000 and \$52,000 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, the amount contributed by EIS was approximately \$12,000 and \$11,500, 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 began in December 2018, and are expected to be completed in September 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, 2018, EIS has received cash contributions and pledges designated for the capital campaign totaling approximately \$5.8 million.

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, other than the note payoff disclosed in Note E, identified no such events to be disclosed.