EMERGENCY INFANT SERVICES, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019 AND 2018

EMERGENCY INFANT SERVICES, INC.

Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

CERTIFIED PUBLIC ACCOUNTING & CONSULTING

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, 2019 and 2018, and the related statements of activities, 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.

TULSA | FRISCO
CCKCPA.COM

Oklahoma Office
8811 South Yale Avenue
Suite 400
Tulsa, OK 74137

918.491.4036

Texas Office
3211 Internet Boulevard
Suite 330
Frisco, TX 75034

469.562.4036

Emphasis of Matter

As discussed in Note A to the financial statements, Emergency Infant Services, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, and direction for consistency about information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

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, 2019 and 2018, and the related statements of activities 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
June 29, 2020

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash	$ 1,407,752	$ 2,246,079
Certificates of deposit	150,232	371,251
Contributions receivable	135,000	185,000
Capital campaign receivables, net	1,783,810	3,552,377
Beneficial interest in net assets at TCF	303,900	286,658
Prepaids and other current assets	52,759	45,611
Property and equipment, net	4,106,518	2,778,826
Total assets	$ 7,939,971	$ 9,465,802
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 290,250	$ 49,760
Accrued liabilities	97,470	27,872
Deferred revenue	41,500	95,000
Note payable	-	2,208,414
Total liabilities	429,220	2,381,046
NET ASSETS		
Without donor restrictions	4,174,558	1,003,387
With donor restrictions	3,336,193	6,081,369
Total net assets	7,510,751	7,084,756
Total liabilities and net assets	$ 7,939,971	$ 9,465,802

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenue		
Contributions	$ 779,754	$ 584,730
Fundraising	76,480	100,387
Special event	670,538	794,642
Less: Costs of direct benefit to donors	(65,744)	(77,540)
Interest	9,962	8,974
	1,470,990	1,411,193
Net assets released from donor restrictions	3,425,264	228,665
Total support and revenue	4,896,254	1,639,858
Expenses		
Program services		
Food, formula, clothing and equipment	358,742	271,420
Personnel	629,824	601,736
Office and occupancy	160,496	148,237
Depreciation	27,579	31,630
Total program expenses	1,176,641	1,053,023
General and administrative		
Personnel	118,102	115,486
Office and occupancy	83,160	67,125
Fundraising	244,139	275,311
Professional fees	44,187	62,728
Depreciation	6,895	7,908
Interest expense	51,959	78,483
Total general and administrative expenses	548,442	607,041
Total expenses	1,725,083	1,660,064
Increase (decrease) in net assets without donor restrictions	3,171,171	(20,206)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	85,400	363,144
Capital campaign contributions	577,446	1,704,176
Investment income	17,242	20,624
Net assets released from donor restrictions	(3,425,264)	(228,665)
(Decrease) increase in net assets with donor restrictions	(2,745,176)	1,859,279
TOTAL INCREASE IN NET ASSETS	425,995	1,839,073
NET ASSETS - beginning of year	7,084,756	5,245,683
NET ASSETS - end of year	$ 7,510,751	$ 7,084,756

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF FUNCTIONAL ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Salaries and benefits	$ 629,824	$ 118,102	$ 747,926	$ 601,736	$ 115,486	$ 717,222
Food, formula, and milk	243,925	-	243,925	190,943	-	190,943
Diapers and clothing	59,959	-	59,959	39,137	-	39,137
Other client support	54,858	-	54,858	41,340	-	41,340
Rent	54,173	-	54,173	52,373	600	52,973
Office expense	67,519	18,471	85,990	43,712	44,322	88,034
Depreciation	27,579	6,895	34,474	31,630	7,908	39,538
Fundraising	-	244,139	244,139	-	275,311	275,311
Professional fees	-	44,187	44,187	-	62,728	62,728
Interest	-	51,959	51,959	-	78,483	78,483
Other	38,804	64,689	103,493	52,152	22,203	74,355
Totals	$ 1,176,641	$ 548,442	$ 1,725,083	$ 1,053,023	$ 607,041	$ 1,660,064

EMERGENCY INFANT SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 425,995	$ 1,839,073
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(17,242)	(20,624)
Depreciation	34,474	39,538
Changes in operating assets and liabilities		
Contributions receivable	50,000	(150,000)
Capital campaign receivables	1,768,567	(347,424)
Prepaids and other current assets	(7,148)	(25,196)
Accounts payable	(38,766)	33,209
Accrued liabilities	69,598	(3,134)
Deferred revenue	(53,500)	(12,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,231,978	1,353,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	221,019	(137,981)
Purchase of property and equipment	(1,082,910)	(55,183)
NET CASH (USED IN) INVESTING ACTIVITIES	(861,891)	(193,164)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(2,208,414)	-
NET CASH (USED IN) FINANCING ACTIVITIES	(2,208,414)	-
NET (DECREASE) INCREASE IN CASH	(838,327)	1,160,278
CASH, beginning of year	2,246,079	1,085,801
CASH, end of year	$ 1,407,752	$ 2,246,079

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 its downtown Tulsa headquarters 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.

Change in Accounting Principle

Effective July 1, 2018, EIS adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

EIS net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions. Likewise, EIS net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The ASU has been applied retrospectively to EIS’s 2018 financial statements.

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, 2019, and at various times during the year, cash in bank exceeded the federally insured limits.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Investments are reported at fair value.

Interest and dividends earned on investments, and realized and unrealized investment appreciation (depreciation) are reported in the statements of activities.

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:

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, support and revenue, and expenses are classified as net assets with donor restrictions or net assets without donor restrictions based on the existence or absence of donor-imposed restrictions.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

These classifications are defined as follows:

- *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of EIS's management and the board of directors.

- *Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of EIS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

  Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, the related net assets are reclassified to net assets without donor restrictions in the statements of activities. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized.

Contributions

Unconditional promises to give are recognized as support and revenue when the underlying promises are received by EIS.

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.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2019 and 2018, are estimated to have exceeded approximately $1,648,000 and $1,153,000, respectively; volunteer service hours are estimated to have exceeded 24,000 hours and 22,000 hours for the years ended June 30, 2019 and 2018, respectively.

Functional Expenses

The costs of EIS's programs and supporting services have been reported on a functional basis in the Statements of Activities. Expenses are charged to a program 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *"Revenue from Contracts with Customers,"* which requires entities to recognize revenue in the way it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most of the existing revenue recognition requirements in U.S. GAAP when it becomes effective. This pronouncement is effective for annual reporting periods beginning after December 15, 2018, and interim periods beginning after December 15, 2019. Early application is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. EIS is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *"Leases" (Topic 842)* ("ASU 2016-02"), which modified lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and disclosing key information about leasing arrangements. ASU 2016-02 will be effective for EIS for annual reporting periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 31, 2021. EIS is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

NOTE B - CAPITAL CAMPAIGN RECEIVABLES

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

2020	$ 1,490,342
2021	320,218
	1,810,560
Less: Allowance for uncollectible contributions	(26,750)
	$ 1,783,810

Two foundations make up 41% of the capital campaign receivable balance at June 30, 2019. One pledge totaling $250,000 is due when the construction project reaches 100% complete.

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 $304,000 and $287,000 at June 30, 2019 and 2018, 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 $212,000 and $200,000 at June 30, 2019 and 2018, respectively.

The amortized cost, estimated market value and unrealized gains and losses for investments are as follows for June 30, 2019 and 2018:

	2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Cash fund	$ 16,296	$ -	$ -	$ 16,296
Common stock	233,016	54,588	-	287,604
Total investments	$ 249,312	$ 54,588	$ -	$ 303,900

	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	$ 241,551	$ 45,107	$ -	$ 286,658

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

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, 2019 and 2018.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2019 and 2018:

	2019	2018
Buildings	$ 1,898,239	$ 1,898,240
Land	872,000	872,000
Building and leasehold improvements	183,723	183,723
Renovations in progress	1,401,907	43,200
Furniture and equipment	160,700	157,242
Vehicle	33,950	33,950
Total cost	4,550,519	3,188,355
Accumulated depreciation	(444,001)	(409,529)
Net property and equipment	$ 4,106,518	$ 2,778,826

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 I, EIS has been in the process of renovating the building and relocating its primary operations there. The note required interest only payments until maturity, and was payable monthly at 3.5%. The unpaid principal and interest was due September 17, 2019. The note was collateralized by a mortgage on the purchased real estate and existing EIS building, as well as other assets of EIS, including capital campaign receivables.

This note payable was paid in full on March 1, 2019.

NOTE F - LEASE COMMITMENT

EIS has participated in a joint use operating lease agreement for facilities it has shared with another nonprofit organization in east Tulsa. The lease expired at the end of December 2019, and EIS did not renew its participation in the agreement.

Operating lease expense for this location totaled approximately $54,000 and $53,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, net assets with donor restrictions consist of the following:

	2019	2018
Capital campaign	$ 2,878,550	$ 5,505,968
Operations - 2020 and 2021	135,000	270,000
Tulsa Community Foundation - see Note C	303,900	286,658
Building maintenance	18,743	18,743
	$ 3,336,193	$ 6,081,369

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS (*continued*)

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:

	2019	2018
Capital campaign	$ 3,339,864	$ 135,521
Food and formula	75,400	93,144
Cribs and car seats	10,000	-
	$ 3,425,264	$ 228,665

NOTE H - 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, 2019 and 2018, the amount contributed by EIS was approximately $14,000 and $12,000, respectively.

NOTE I - 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 of the new building began in December 2018. The related debt was paid off in March 2019. EIS relocated their operations into the new space in November 2019. After completion of the building, the remaining balance of capital campaign funds will be restricted for building maintenance and upkeep.

NOTE J - LIQUIDITY AND AVAILABILITY

The following table reflects EIS's financial assets as of June 30, 2019 and 2018, that could readily be made available within one year of the balance sheet date to fund general expenditures without limitations:

	2019	2018
Financial assets:		
Cash	$ 1,407,752	$ 2,246,079
Certificates of deposit	150,232	371,251
Contributions receivable	135,000	185,000
Capital campaign receivables, current, net	1,463,592	2,106,019
Beneficial interest in assets held by others	303,900	286,658
Total financial assets, excluding noncurrent receivables	3,460,476	5,195,007
Less those unavailable for expenditure for general expenditures within one year due to:		
Purpose restrictions	3,015,975	4,635,011
Financial assets available to meet cash needs for general expenditures within one year	$ 444,501	$ 559,996

NOTE K - 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 other than those disclosed in Notes F and I, and as discussed in the following paragraph.

In late December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. The spread of this virus has the potential to cause a disruption to EIS's revenue and operations for 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty regarding the duration. The related extent and financial impact to EIS cannot be reasonably estimated at this time.