

EMERGENCY INFANT SERVICES, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2020

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 statement of financial position as of June 30, 2020, 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.

Auditors' 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. 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, 2020, and the related statements of activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CCK Strategies, PLLC

Tulsa, Oklahoma
March 23, 2021

EMERGENCY INFANT SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	<u>2020</u>
ASSETS	
Cash	\$ 2,326,712
Certificates of deposit	156,780
Contributions receivable	3,900
Capital campaign receivables, net	335,074
Beneficial interest in net assets at TCF	313,151
Prepays and other current assets	42,842
Property and equipment, net	<u>5,335,045</u>
 Total assets	 <u><u>\$ 8,513,504</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 24,247
Accrued liabilities	77,710
Deferred revenue	30,050
Notes payable	<u>172,314</u>
 Total liabilities	 <u>304,321</u>
 NET ASSETS	
Without donor restrictions	5,772,292
With donor restrictions	<u>2,436,891</u>
 Total net assets	 <u>8,209,183</u>
 Total liabilities and net assets	 <u><u>\$ 8,513,504</u></u>

EMERGENCY INFANT SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS	
Support and revenue	
Contributions	\$ 1,072,311
Contributions of goods	1,036,242
Fundraising	56,516
Special event	612,881
Less: Costs of direct benefit to donors	(73,620)
Gain on sale of assets	327,480
Interest	6,771
	<u>3,038,581</u>
Net assets released from donor restrictions	<u>1,393,965</u>
Total support and revenue	<u>4,432,546</u>
Expenses	
Program services	2,289,671
General and administrative	545,141
Total expenses	<u>2,834,812</u>
Increase in net assets without donor restrictions	<u>1,597,734</u>
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	219,539
Capital campaign contributions	265,873
Investment income	9,251
Net assets released from donor restrictions	<u>(1,393,965)</u>
Decrease in net assets with donor restrictions	<u>(899,302)</u>
TOTAL INCREASE IN NET ASSETS	698,432
NET ASSETS - beginning of year	<u>7,510,751</u>
NET ASSETS - end of year	<u><u>\$ 8,209,183</u></u>

EMERGENCY INFANT SERVICES, INC.
STATEMENT OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	Program Services	General and Administrative	Total
Salaries and benefits	\$ 683,709	\$ 129,608	\$ 813,317
Food, formula, and milk	828,742	-	828,742
Diapers and clothing	331,625	-	331,625
Other client support	115,995	-	115,995
Rent	27,087	1,050	28,137
Office expense	59,935	28,238	88,173
Depreciation	182,184	67,106	249,290
Fundraising	-	206,277	206,277
Professional fees	-	53,020	53,020
Moving Expense	-	17,085	17,085
Other	60,394	42,757	103,151
Totals	<u>\$ 2,289,671</u>	<u>\$ 545,141</u>	<u>\$ 2,834,812</u>

EMERGENCY INFANT SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 698,432
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(9,251)
Gain on sale of assets	(327,480)
Depreciation	249,290
Changes in operating assets and liabilities	
Contributions receivable	131,100
Capital campaign receivables	1,448,736
Prepays and other current assets	9,917
Accounts payable	(266,003)
Accrued liabilities	(19,760)
Deferred revenue	<u>(11,450)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,903,531</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificates of deposit	(6,548)
Proceeds from sale of property and equipment	891,807
Purchase of property and equipment	<u>(2,023,812)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(1,138,553)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from PPP loan	157,500
Payments on capital lease	<u>(3,518)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>153,982</u>
NET INCREASE IN CASH	918,960
CASH, beginning of year	<u>1,407,752</u>
CASH, end of year	<u><u>\$ 2,326,712</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:	
Purchase of equipment by capital lease	<u><u>\$ 18,332</u></u>

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 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.

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, 2020, 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

Investments are reported at fair value.

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

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

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 and 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.

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.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

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.

Gifts in Kind

Beginning July 1, 2019, formula, diapers, food, clothing, and equipment donated for program services, and other goods donated for fundraisers are reflected in the statement of activities as contributions of goods and are offset by like amounts in program services or general and administrative expenses, as appropriate. In-kind goods contributed for the year ended June 30, 2020, are estimated to be approximately \$1,036,000 at fair market value. Volunteer service hours are estimated to have exceeded 22,000 hours for the year ended June 30, 2020. The contributed services do not meet the criteria for recognition, and their estimated value is not reflected in the financial statements.

Functional Expenses

The costs of EIS's programs and supporting services have been reported on a functional basis in the Statement of Activities. Expenses are charged to a program based on direct expenses incurred. Expenses which apply to program and general and administrative categories have been allocated based on estimates by management. The estimated fair market value of the contributed goods is used to record expenses and are reflected in the same manner as purchased goods or services.

Income Taxes

EIS is exempt for federal income tax purposes 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.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

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.

New Accounting Pronouncements

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 as follows:

Receivables due in 2021	\$ 346,374
Less: Allowance for uncollectible contributions	<u>(11,300)</u>
Total Capital Campaign Receivables	<u><u>\$ 335,074</u></u>

Two foundations make up 36% of the capital campaign receivables balance at June 30, 2020.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 EIS's contributions to the TCF Fund was approximately \$313,000 at June 30, 2020, and is included in beneficial interest in net assets at TCF in the accompanying statement 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 \$218,000 at June 30, 2020.

The amortized cost, estimated market value, and unrealized gains and losses for investments are as follows for June 30, 2020:

	2020			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Cash fund	\$ 10,752	\$ -	\$ -	\$ 10,752
Common stock	322,901	-	(20,502)	302,399
Total investments	<u>\$ 333,653</u>	<u>\$ -</u>	<u>\$ (20,502)</u>	<u>\$ 313,151</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)

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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, 2020.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2020:

	<u>2020</u>
Buildings and improvements	\$ 4,488,655
Land	706,720
Furniture and equipment	499,288
Vehicle	<u>33,950</u>
Total cost	5,728,613
Accumulated depreciation	<u>(393,568)</u>
Net property and equipment	<u><u>\$ 5,335,045</u></u>

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE E - NOTES PAYABLE

In April 2020, EIS received a Paycheck Protection Program loan through the Small Business Administration for \$157,500. This note was forgiven by the bank in full in November 2020, before any interest or principal payments were required.

In June 2020, EIS entered into a capital lease agreement for the purchase of a pallet stacker. The lease payments include principal and interest for four years. Future expected lease payments are as follows:

2021	\$ 5,830
2022	5,830
2023	5,830
2024	<u>1,943</u>
Total minimum lease payments	19,433
Less: Amounts representing interest	<u>(4,619)</u>
Total Lease Payments	<u><u>\$ 14,814</u></u>

NOTE F - LEASE COMMITMENT

EIS has participated in a joint use operating lease agreement for facilities it 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 \$27,000 for the year ended June 30, 2020.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020, net assets with donor restrictions consist of the following:

	<u>2020</u>
Capital campaign/Building maint. fund	\$ 2,064,998
Tulsa Community Foundation - see Note C	313,150
Formula	40,000
Building maintenance	<u>18,743</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 2,436,891</u></u>

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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:

	<u>2020</u>
Capital campaign	\$ 1,174,426
Food and formula	106,547
Client Service	<u>112,992</u>
Net Assets Released	<u><u>\$ 1,393,965</u></u>

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 year ended June 30, 2020, the amount contributed by EIS was approximately \$14,000.

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. 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.

EMERGENCY INFANT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE J - LIQUIDITY AND AVAILABILITY

The following table reflects EIS's financial assets as of June 30, 2020, that could readily be made available within one year of the balance sheet date to fund general expenditures without limitations:

	<u>2020</u>
Financial assets:	
Cash	\$ 2,326,712
Certificates of deposit	156,780
Contributions receivable	3,900
Capital campaign receivables, current, net	335,074
Beneficial interest in assets held by others	<u>313,151</u>
 Total financial assets, excluding noncurrent receivables	 <u>3,135,617</u>
 Less those unavailable for expenditure for general expenditures within one year due to:	
Purpose restrictions	<u>2,436,891</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 698,726</u></u>

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. The following events were noted.

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 future revenue and operations. 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.

The Paycheck Protection Program loan for \$157,500, which EIS received in April 2020, was forgiven by the bank in November 2020. The forgiveness will be reflected as an increase in support at the time forgiveness was granted.

Subsequent to June 30, 2020, EIS applied for and received three grants totaling \$617,260 through the Tulsa Economic Development Corporation under the RESET loan program. EIS has provided documentation of related expenses incurred and anticipates full forgiveness of the amounts.