



EMERGENCY INFANT SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

WITH

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Emergency Infant Services, Inc.

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, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emergency Infant Services, Inc. as of June 30, 2021, 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.



Tulsa, Oklahoma
March 28, 2022

EMERGENCY INFANT SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

Assets	
Cash	\$ 3,237,442
Certificates of deposit	80,962
Pledges receivable	136,682
Inventory	168,436
Beneficial interest in net assets at TCF	398,450
Prepays and other current assets	29,384
Property and equipment, net	<u>5,028,665</u>
Total assets	<u><u>\$ 9,080,021</u></u>
Liabilities and Net Assts	
Current liabilities:	
Accounts payable	\$ 1,583
Accrued liabilities	38,763
Deferred revenue	8,500
Notes and capital lease payable	<u>165,192</u>
Total liabilities	214,038
Net assets:	
Without donor restrictions:	
Undesignated	2,419,983
Invested in capital assets	<u>5,028,665</u>
Total without donor restrictions	7,448,648
With donor restrictions	<u>1,417,335</u>
Total net assets	<u><u>8,865,983</u></u>
Total liabilities and net assets	<u><u>\$ 9,080,021</u></u>

EMERGENCY INFANT SERVICES, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

Net Assets Without Donor Restrictions

Support and revenue:

Contributions	\$ 1,178,699
In-kind contributions of goods	1,464,162
Fundraising	22,173
Special event	274,247
Less: costs of direct benefit to donors	-
Government grants	617,222
Gain on forgiveness of Paycheck Protection Program note payable	157,700
Gain on sale of assets	-
Interest	2,402

Total support and revenue 3,716,605

Net assets released from donor restrictions 399,797

Total support and revenue 4,116,402

Expenses:

Program services	2,765,889
General and administrative	478,360

Total expenses 3,244,249

Increase in net assets without donor restrictions 872,153

Net Assets With Donor Restrictions

Contributions	99,145
Capital campaign contributions	-
Investment income	85,299
Net assets released from donor restrictions	<u>(399,797)</u>

Decrease in net assets with donor restrictions (215,353)

Total increase in net assets 656,800

Net assets, beginning of year 8,209,183

Net assets, end of year \$ 8,865,983

EMERGENCY INFANT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

	Program Services	General and Administrative	Total
Salaries and benefits	\$ 713,370	\$ 197,030	\$ 910,400
Food, formula and milk	387,940	-	387,940
Diapers, clothing and other client support	1,267,408	-	1,267,408
Office	100,134	6,363	106,497
Depreciation	269,827	99,388	369,215
Fundraising	-	56,686	56,686
Professional fees	-	99,720	99,720
Other	27,210	19,173	46,383
Total	\$ 2,765,889	\$ 478,360	\$ 3,244,249

EMERGENCY INFANT SERVICES, INC.

STATEMENT OF CASH FLOWS

Year ended June 30, 2021

Cash Flows from Operating Activities	
Increase in net assets	\$ 656,800
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(85,299)
Gain on sale of assets	-
Depreciation	369,215
Gain on forgiveness of Paycheck Protection Program note payable	(157,700)
Changes in operating assets and liabilities:	
Pledges receivable	202,292
Inventory	(168,436)
Prepays and other current assets	13,458
Accounts payable	(22,664)
Accrued liabilities	(38,947)
Deferred revenue	(21,550)
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Net cash provided by operating activities	747,169
Cash Flows from Investing Activities	
Purchase of certificates of deposit	-
Proceeds from maturity of certificates of deposit	75,818
Proceeds from sale of property and equipment	-
Purchase of property and equipment	(62,835)
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Net cash provided by investing activities	12,983
Cash Flows from Financing Activities	
Proceeds from Paycheck Protection Program note payable	156,488
Payments on capital lease	(5,910)
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Net cash provided by financing activities	150,578
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Net change in cash	910,730
Cash, beginning of year	2,326,712
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Cash, end of year	<u>\$ 3,237,442</u>

EMERGENCY INFANT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1 – Nature of Operations

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. In 2021, EIS assisted over 18,000 children and babies, from its downtown Tulsa headquarters and a satellite southside Tulsa facility. EIS operations are supported by contributions from 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.

Note 2 – Summary of Significant Accounting Policies

EIS's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the statements of financial position, statements of activities, functional expenses and cash flows.

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, 2021, and at various times during the year, cash in bank exceeded the federally insured limits.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Inventory

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.

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 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

Description of the two net asset categories and the types of transactions offsetting each category are as follows:

Without donor restrictions - Net assets not subject to donor-imposed restrictions that are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time-to-time, the Board may designate a portion of these net assets for specific purposes, making them unavailable for use at management's discretion.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by the actions of EIS or the passage of time. When a restriction has been fulfilled, net assets subject to donor-imposed restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Also included in this category are net assets whose use is limited by donor-imposed restrictions that require such resources be maintained in perpetuity and the related income utilized for operating or other donor restricted purposes.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes.

Gifts in kind

Formula, diapers, food, clothing, car seats and baby items donated for program services, and other goods donated for fundraisers are reflected in the statements 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, 2021, are estimated to be approximately \$1,450,000 at fair market value. Volunteer service hours are estimated to have exceeded 22,000 hours for the year ended June 30, 2021. 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 statements 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.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Recently adopted accounting pronouncement

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update replaced most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or modified retrospective with cumulative effect transition method. Contributions to not-for-profit entities is not included in this update. EIS implemented this standard effective July 1, 2020, using the modified retrospective method. EIS does not receive commensurate value for assets transferred for their contributions, and as such, is considered to be nonexchange and accounted for under FASB 958.

New accounting pronouncements yet to be adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their statement of financial position. The standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. Upon adoption, EIS will record a lease asset and liability equal to the present value of its future minimum lease payments on the statement of financial position and include additional disclosures on its leases in the footnotes to the financial statements. In June 2020, the FASB issued ASU No. 2020-05 which delayed the effective date of ASU No. 2016-02 until July 1, 2022.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure regarding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in the entity's programs and other activities. The ASU should be applied on a retrospective basis and is effective for EIS in 2022. Early adoption is permitted. EIS is evaluating the impact the standard will have on its financial statements and related disclosures.

Subsequent events

Management has evaluated subsequent events through March 28, 2022, the date the financial statements were available to be issued. See Note 6.

In June 2021, the Board of Directors approved the appointment of Warburton Capital as investment advisors for EIS. In August, \$1,000,000 was transferred to Warburton Capital to initiate the investment portfolio. Additionally, approximately \$920,000 was transferred in October.

Reclassifications

The 2020 financial statements have been reclassified to conform with the 2021 presentation. The reclassifications had no impact on change in net assets or ending net assets.

Note 3 – Pledges Receivable

Pledges receivable as of June 30, 2021, are expected to be received as follows:

Pledges receivable	\$ 147,982
Less: allowance for uncollectible contributions	<u>(11,300)</u>
Total pledges receivable, net	<u><u>\$ 136,682</u></u>

Note 4 – 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 \$398,000 at June 30, 2021, 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 Accounting Standards Codification 958-605-05, were approximately \$277,000 at June 30, 2021.

The amortized cost, estimated market value, and unrealized gains and losses for investments are as follows for June 30, 2021:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Cash fund	\$ 10,752	\$ -	\$ -	\$ 10,752
Common stock	302,399	85,299	-	387,698
Total investments	<u>\$ 313,151</u>	<u>\$ 85,299</u>	<u>\$ -</u>	<u>\$ 398,450</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. There were no transfers into or out of Level 1, 2 or 3 measurements for the year ended June 30, 2021. The TCF Fund was held at Level 3 as of the year ended June 30, 2021.

Note 5 – Property and Equipment

Property and equipment consist of the following as of June 30, 2021:

Buildings and improvements	\$ 4,509,480
Land	706,720
Furniture and fixtures	541,298
Vehicles	<u>33,950</u>
Total	5,791,448
Accumulated depreciation	<u>(762,783)</u>
Property and equipment, net	<u><u>\$ 5,028,665</u></u>

Note 6 – Notes Payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. On April 16, 2020, EIS received loan proceeds in the amount of \$157,700 under the Small Business Administration's Paycheck Protection Program (PPP), which was established as part of the CARES Act. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The note payable was scheduled to mature in April 2022, bore interest at 1%, and required monthly principal and interest payments commencing November 2020. Loan proceeds were forgivable, after a period of time, if EIS expended those funds for qualified expenditures.

On June 5, 2020, Congress enacted the PPP Flexibility Act (Flex Act), which provides borrowers with more time to use the funds received, more time to repay amounts not forgiven, and lower limits on how the funds are required to be spent. Among other things, the Flex Act extends the covered period from 8 to 24 weeks, beginning on the date of loan origination, to provide borrowers with options to maximize forgiveness. EIS elected to consider the PPP loan a financial liability under Accounting Standards Codification (ASC) 470, *Debt*, and ASC 405, *Liabilities* for fiscal year 2020. It was uncertain how much of the loan would be forgiven. In November 2020, EIS received formal forgiveness from the Small Business Administration of the entire loan amount and immediately accounted for the PPP loan as a gain on extinguishment of debt in PPP loan forgiveness on the statements of activities.

In February 2021, EIS received additional loan proceeds in the amount of \$156,488 under the PPP. The loan, which was in the form of a note with a bank, matures in January 2026, and bears interest at a rate of 1% per annum. Monthly principal and interest payments will commence in January 2022 if not forgiven. PPP loan proceeds and accrued interest are forgivable, after a period of time, if EIS expends those funds for qualified expenditures. The PPP loan was fully forgiven by the Small Business Administration in August 2021.

Note 7 – Net Assets with Donor Restrictions

As of June 30, 2021, net assets with donor restrictions consist of the following:

Building maintenance fund	\$ 938,505
Crib/car seat	21,666
FEMA fund	16,214
Food and formula	42,500
Tulsa Community Foundation (see Note 4)	<u>398,450</u>
Total net assets with donor restrictions	<u><u>\$ 1,417,335</u></u>

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:

Building maintenance fund	\$ 341,032
Food and formula	40,000
Client service	<u>18,765</u>
Net assets released	<u><u>\$ 399,797</u></u>

Note 8 – 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. The amounts contributed by EIS were approximately \$14,000 for the year ended June 30, 2021.

Note 9 – Liquidity and Availability

The following table reflects EIS's financial assets as of June 30, 2021, that could readily be made available within one year of the statement of financial position date to fund general expenditures without limitations:

Financial assets:	
Cash	\$ 3,237,442
Certificates of deposit	80,962
Pledges receivable	136,682
Beneficial interest in assets held by others	<u>398,450</u>
Total financial assets	3,853,536
Less those unavailable for expenditure for general expenditures within on year due to:	
Purpose restrictions	<u>1,417,335</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,436,201</u></u>

EIS maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. EIS is dependent upon the collection of current period revenues, primarily contributions and grants, to meet its obligations as they come due.