

INFANT CRISIS SERVICES, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
MARCH 31, 2018 AND 2017

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

INFANT CRISIS SERVICES, INC.
Table of Contents
March 31, 2018 and 2017

AUDITED FINANCIAL STATEMENTS

Independent Auditor’s Report.....	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities.....	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements	8-17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Infant Crisis Services, Inc.
Oklahoma City, OK 73105

We have audited the accompanying financial statements of Infant Crisis Services, Inc., (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, 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.

Auditor's 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 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 organization'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 organization'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 Infant Crisis Services, Inc., as of March 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HSPG & Associates, P.C.

July 9, 2018

HSPG & ASSOCIATES, PC

5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

INFANT CRISIS SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 712,617	\$ 156,151
Investments	1,133,087	1,436,420
Contributions receivable, net	615,985	679,232
Accrued interest	4,948	6,073
Beneficial interest in assets held by others	96,457	93,151
Inventory	219,431	292,647
Prepaid expenses	46,546	14,892
Assets restricted for endowment:		
Cash and cash equivalents	93,178	32,215
Investments	1,957,530	1,983,761
Artwork	201,321	201,321
Property and equipment, net	7,092,529	7,228,208
TOTAL ASSETS	<u><u>\$ 12,173,629</u></u>	<u><u>\$ 12,124,071</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 85,857	\$ 54,099
Accrued compensation	63,449	39,465
TOTAL LIABILITIES	<u>149,306</u>	<u>93,564</u>
NET ASSETS		
Unrestricted	9,462,359	9,654,354
Temporarily restricted	2,360,643	1,184,339
Permanently restricted	201,321	1,191,814
TOTAL NET ASSETS	<u>12,024,323</u>	<u>12,030,507</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,173,629</u></u>	<u><u>\$ 12,124,071</u></u>

The accompanying notes are an integral part of these financial statements.

INFANT CRISIS SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018 (with comparative totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Comparative Total 2017</u>
REVENUE AND SUPPORT					
Contributions	\$ 1,833,758	\$ 156,315	\$ -	\$ 1,990,073	\$ 1,837,720
Grants and sponsorships	132,270	675,116	-	807,386	340,857
Investment income, net	96,391	85,541	-	181,932	229,400
Special event revenues	958,214	-	-	958,214	956,613
Realized gains from sale of fixed assets	1,125	-	-	1,125	30,000
Other income	3,521	-	-	3,521	-
Donor change of restriction	-	990,493	(990,493)	-	-
Release from restrictions	731,161	(731,161)	-	-	-
Total revenue and support	<u>3,756,440</u>	<u>1,176,304</u>	<u>(990,493)</u>	<u>3,942,251</u>	<u>3,394,590</u>
EXPENSES					
Program services	3,130,259	-	-	3,130,259	2,797,788
Management and general	161,742	-	-	161,742	159,146
Cost of direct benefit to donors	241,596	-	-	241,596	276,129
Fundraising	414,838	-	-	414,838	388,362
Total expenses	<u>3,948,435</u>	<u>-</u>	<u>-</u>	<u>3,948,435</u>	<u>3,621,425</u>
Change in net assets	(191,995)	1,176,304	(990,493)	(6,184)	(226,835)
NET ASSETS, BEGINNING OF YEAR	9,654,354	1,184,339	1,191,814	12,030,507	12,257,342
NET ASSETS, END OF YEAR	<u>\$ 9,462,359</u>	<u>\$ 2,360,643</u>	<u>\$ 201,321</u>	<u>\$ 12,024,323</u>	<u>\$ 12,030,507</u>

The accompanying notes are an integral part of these financial statements.

INFANT CRISIS SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 1,581,226	\$ 256,494	\$ -	\$ 1,837,720
Grants and sponsorships	340,857	-	-	340,857
Investment income (loss), net	125,375	104,025	-	229,400
Special event revenues	956,613	-	-	956,613
Proceeds from sale of fixed assets	30,000	-	-	30,000
Reclassification	-	41,522	(41,522)	-
Release from restrictions	2,253,043	(2,253,043)	-	-
Total revenue and support	<u>5,287,114</u>	<u>(1,851,002)</u>	<u>(41,522)</u>	<u>3,394,590</u>
EXPENSES				
Program services	2,797,788	-	-	2,797,788
Management and general	159,146	-	-	159,146
Cost of direct benefit to donors	276,129	-	-	276,129
Fundraising	388,362	-	-	388,362
Total expenses	<u>3,621,425</u>	<u>-</u>	<u>-</u>	<u>3,621,425</u>
Change in net assets	1,665,689	(1,851,002)	(41,522)	(226,835)
NET ASSETS, BEGINNING OF YEAR	7,988,665	3,035,341	1,233,336	12,257,342
NET ASSETS, END OF YEAR	<u>\$ 9,654,354</u>	<u>\$ 1,184,339</u>	<u>\$ 1,191,814</u>	<u>\$ 12,030,507</u>

The accompanying notes are an integral part of these financial statements.

INFANT CRISIS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018

	Program Services	Management and General	Cost of Direct Benefit to Donors	Fundraising	Total
Salaries	\$ 1,023,888	\$ 93,108	\$ -	\$ 212,797	\$ 1,329,793
Benefits	123,720	12,013	-	25,900	161,633
Payroll taxes	75,941	6,904	-	15,780	98,625
	<u>1,223,549</u>	<u>112,025</u>	<u>-</u>	<u>254,477</u>	<u>1,590,051</u>
Essential program items	1,344,884	-	-	-	1,344,884
Professional fees	-	19,048	-	24,077	43,125
Supplies, printing and postage	52,151	2,281	-	36,920	91,352
Occupancy	61,253	1,296	-	3,355	65,904
Advertising, community awareness	24,161	35	-	29,786	53,982
Travel and local transportation	19,285	588	-	545	20,418
Insurance	49,965	3,521	-	1,819	55,305
Appreciation, gifts and awards	21,043	1,106	-	465	22,614
Conferences and meetings	9,858	11,234	-	2,385	23,477
Bad debts	-	-	-	51,057	51,057
Information technology	74,987	5,418	-	4,762	85,167
Special events	-	-	241,596	-	241,596
	<u>1,657,587</u>	<u>44,527</u>	<u>241,596</u>	<u>155,171</u>	<u>2,098,881</u>
Total expenses before depreciation	2,881,136	156,552	241,596	409,648	3,688,932
Depreciation	249,123	5,190	-	5,190	259,503
Total expenses	<u>\$ 3,130,259</u>	<u>\$ 161,742</u>	<u>\$ 241,596</u>	<u>\$ 414,838</u>	<u>\$ 3,948,435</u>

The accompanying notes are an integral part of these financial statements.

INFANT CRISIS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017

	Program Services	Management and General	Cost of Direct Benefit to Donors	Fundraising	Total
Salaries	\$ 893,444	\$ 81,002	\$ -	\$ 186,039	\$ 1,160,485
Benefits	108,069	11,527	-	21,568	141,164
Payroll taxes	65,370	5,984	-	13,678	85,032
	<u>1,066,883</u>	<u>98,513</u>	<u>-</u>	<u>221,285</u>	<u>1,386,681</u>
Essential program items	1,259,536	-	-	-	1,259,536
Professional fees	2,802	32,531	-	33,831	69,164
Supplies, printing and postage	42,810	3,180	-	44,047	90,037
Occupancy	59,624	1,249	-	1,239	62,112
Advertising, community awareness	22,337	-	-	21,337	43,674
Travel and local transportation	11,808	835	-	498	13,141
Insurance	57,261	4,341	-	2,691	64,293
Appreciation, gifts and awards	23,625	1,114	-	574	25,313
Conferences and meetings	8,740	10,398	-	4,934	24,072
Bad debts	-	-	-	50,785	50,785
Other	952	-	-	500	1,452
Information technology	46,438	2,923	-	2,579	51,940
Special events	-	-	276,129	-	276,129
	<u>1,535,933</u>	<u>56,571</u>	<u>276,129</u>	<u>163,015</u>	<u>2,031,648</u>
Total expenses before depreciation	2,602,816	155,084	276,129	384,300	3,418,329
Depreciation	194,972	4,062	-	4,062	203,096
Total expenses	<u>\$ 2,797,788</u>	<u>\$ 159,146</u>	<u>\$ 276,129</u>	<u>\$ 388,362</u>	<u>\$ 3,621,425</u>

The accompanying notes are an integral part of these financial statements.

INFANT CRISIS SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (6,184)	\$ (226,835)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	259,503	203,096
Investment income, net	(181,932)	(229,400)
Realized gains on sale of property and equipment	(1,125)	(30,000)
Bad debt expense	51,057	50,785
Capital campaign contributions	-	(50)
Change in operating assets and liabilities:		
Donation, purchases of inventory	73,216	(96,801)
Accrued interest receivable	1,125	(947)
Contributions receivable	(70,310)	(148,002)
Prepaid expenses	(31,654)	13,579
Accounts payable	31,758	31,418
Accrued compensation	23,984	1,445
Net cash provided by (used in) operating activities	<u>149,438</u>	<u>(431,712)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	503,655	95,726
Purchases of property and equipment	(123,823)	(1,825,544)
Proceeds from sale of property and equipment	1,125	30,000
Proceeds from beneficial interest in assets held by others	4,534	-
Net cash provided by (used in) investing activities	<u>385,491</u>	<u>(1,699,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital campaign contributions received	82,500	122,714
Net cash provided by financing activities	<u>82,500</u>	<u>122,714</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	617,429	(2,008,816)
CASH AND CASH EQUIVALENTS, Beginning of year	188,366	2,197,182
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 805,795</u>	<u>\$ 188,366</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 712,617	\$ 156,151
Restricted cash and cash equivalents	93,178	32,215
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 805,795</u>	<u>\$ 188,366</u>

The accompanying notes are an integral part of these financial statements.

INFANT CRISIS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Infant Crisis Services, Inc. (“ICS”) operates as a voluntary not-for-profit organization providing food, formula, diapers and clothing for infants and toddlers in need throughout central Oklahoma. Services are provided at its main location in Oklahoma City and also through the BabyMobile, a mobile food and diaper pantry currently serving Oklahoma county and surrounding counties. ICS was founded in 1984 and operated as a branch organization of the Westminster Presbyterian Church, Inc. until January 4, 1991, when it was incorporated as a separate and independent organization. ICS funding sources are from the private sector and include individuals, corporations, foundations, religious, and other organizations.

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation – The financial statements report information regarding ICS’s financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed or contract stipulations that may or will be met, either by actions of ICS and/or the passage of time. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by ICS. Generally, donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

Cash equivalents – ICS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Donated assets – Donated marketable securities and other non-cash donations with readily determinable fair values are recorded as contributions at their estimated fair values at the date of the donation.

Individuals, businesses and other organizations contribute substantial amounts of goods and services (consisting primarily of formula, food, clothing, and similar items for infants) toward the fulfillment of projects initiated by ICS. To the extent that contributions of goods and services are made under the control of ICS, are objectively measurable, and represent program or support expenditures which would otherwise be incurred by ICS personnel, they are reflected in contributions, program expense, and inventory in the accompanying financial statements. These goods and services have been valued at their estimated fair market value at the date of receipt.

For the years ended March 31, 2018 and 2017, ICS has reported in-kind contributions in the amount of \$820,221 and \$905,356, respectively, as contributions in the accompanying statements of activities.

Revenue Recognition – Contributions are recognized when the donor makes a promise to unconditionally give to ICS. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recorded when the conditions on which they depend are substantially met. Unconditional promises to give receivable within the next 12 months are recorded at their net realizable value. Unconditional promises to give that are receivable in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. ICS uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based upon prior years' experience and management's analysis of specific promises made. At March 31, 2018 and 2017, ICS recorded an allowance for uncollectible promises to give of \$50,474 and \$49,874, respectively.

Revenue is recognized when earned. Special event revenues and payments under cost-reimbursable grants received in advance are deferred to the applicable period in which the related event occurs or expenditures are incurred, respectively.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the statement of financial position. Fair values are based on quoted market prices or otherwise determined as provided by a financial institution or fund manager. Investment income and gains and losses are reported as unrestricted unless a specific restriction applies. Net investment income (loss) is reported in the statement of activities and consists of the following:

	2018	2017
Interest and dividends	\$ 84,642	\$ 95,563
Unrealized and realized gains (losses)	112,419	149,266
Investment management fees	(15,129)	(15,429)
	\$ 181,932	\$ 229,400

Beneficial interest in assets held by others – ICS follows the Accounting Standards Codification (“ASC”) guidance which requires a not-for-profit organization that transfers assets to a community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred (see Note 3). ICS carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. (“OCCF”) and Communities Foundation of Oklahoma (“CFO”) at fair value.

Inventory – Inventory is comprised of formula, food, diapers, clothing, and similar items. Inventories are stated at estimated fair market value at the date of the gift.

Artwork – ICS received a restricted contribution of artwork requiring the Organization to hold the artwork in perpetuity or return it to the donor.

Property and equipment – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. ICS’s capitalization threshold is \$1,000 for assets acquired with an economic useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are five to seven years for equipment and automobiles and twenty to forty years for buildings and improvements.

ICS reports gifts of property and equipment as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions addressing the length of time those long-lived assets must be maintained, ICS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Concentration of credit risk – ICS maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of March 31, 2018 and 2017, ICS’ balances with financial institutions subject to FDIC coverage exceeded such coverage by \$229,270 and \$0, respectively. ICS has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.

Income tax status – ICS is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation. ICS is subject to routine audits by taxing jurisdictions. None of ICS’ federal or state income tax returns are currently under examination by the Internal Revenue Service or the Oklahoma tax commission. Management believes it is no longer subject to income tax examinations for years prior to 2015.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between programs, fundraising, cost of direct benefit to donors, and management and general based on evaluations of the related activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of ICS. ICS policy is to allocate the administrative expenses of the program services based on the various direct costs related to each program. The joint costs of informational materials and activities that include a fundraising appeal are allocated between the program expenses, management and general, and fundraising expenses based upon the programs and supporting services benefitted.

The principal programs of ICS are comprised of:

Main location services – This program serves clients through its main Oklahoma City office. Services offered include food, formula, diapers and clothing. Additional services provided include referrals to other community resources and car seat distribution events.

BabyMobile services – This mobile unit program provides food, formula and diapers to targeted neighborhoods across Oklahoma County and surrounding counties. Emergency disaster relief is also provided through the BabyMobile when needed.

The funds spent on these programs are accounted for as essential program items in the statement of functional expenses.

Fair value measurements – ICS reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources

independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that ICS can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Inputs that are unobservable and significant to the overall fair value measurement. In these situations, ICS develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Assets subject to fair value measurement disclosure requirements include investments and beneficial interest in assets held by others (see Note 5). ICS has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at March 31, 2018 or 2017.

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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

Advertising – Advertising costs are expensed as incurred and totaled approximately \$53,982 and \$43,674 for the years ended March 31, 2018 and 2017, respectively.

Subsequent events – Management has evaluated subsequent events through July 9, 2018, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Recent accounting pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 “Revenue from Contracts with Customers (Topic 606).” This authoritative guidance includes a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has since issued several additional amendments to this guidance. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard. The effective date of the amended standard will begin in periods beginning after

December 15, 2018 and early adoption is permitted but no earlier than for reporting periods beginning after December 15, 2016.

In August 2016, the FASB issued ASU No. 2016-14, “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities”. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. The amendments in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

Management is currently evaluating the impact the adoption of FASB ASU No. 2014-09 and 2016-14 will have on ICS’ financial statements in future reporting periods.

2. PROMISES TO GIVE

Promises to give are expected to be realized as follows as of March 31:

	2018	2017
Due in less than one year	\$ 293,376	\$ 354,148
Due in one to five years	333,720	378,336
Due in more than five years	42,680	-
	<u>669,776</u>	<u>732,484</u>
Less: Allowance	(50,474)	(49,874)
Less: Discount to present value at a rate of 1%	<u>(3,317)</u>	<u>(3,378)</u>
	<u>\$ 615,985</u>	<u>\$ 679,232</u>

3. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

ICS is the designated beneficiary of donor advised funds at OCCF and CFO (collectively referred to as the “Community Foundations”). These funds were contributed to the Community Foundations by ICS and other third-party contributors. The Community Foundations have variance power over all contributions. ICS follows the standard, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others" to account for these funds. Assets transferred by ICS remain on the statement of financial position as beneficial interests in assets held by others. Contributions from third parties are disclosed below, but not recognized as assets of ICS. ICS receives a distribution from funds held at OCCF and CFO each year based on a percentage of the average fair market value of the funds over the previous eight quarters. The balance of the funds at March 31, 2018 and 2017 was as follows:

	2018		2017	
	Beneficial Interest in Assets Held by Others	Donated by third parties (disclosure only)	Beneficial Interest in Assets Held by Others	Donated by third parties (disclosure only)
OCCF	\$ 86,560	\$ 197,735	\$ 83,797	\$ 190,984
CFO	9,897	6,084	9,354	5,924
	<u>\$ 96,457</u>	<u>\$ 203,819</u>	<u>\$ 93,151</u>	<u>\$ 196,908</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 458,809	\$ 458,809
Building and improvements	7,487,697	7,487,697
Office furniture and equipment	1,337,794	1,293,824
Automobiles	<u>216,683</u>	<u>136,830</u>
	9,500,983	9,377,160
Less: accumulated depreciation	<u>(2,408,454)</u>	<u>(2,148,952)</u>
	<u>\$ 7,092,529</u>	<u>\$ 7,228,208</u>

Depreciation expense charged to operations was \$259,503 and \$203,096 for the years ended March 31, 2018 and 2017, respectively.

5. FAIR VALUE MEASUREMENTS

Assets measured at fair value consist of the following:

	As of March 31, 2018				
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Fixed income securities:					
Corporate bonds	\$ 773,410	\$ 773,410	\$ -	\$ 773,410	\$ -
Certificates of deposit	552,820	552,820	-	552,820	-
Mutual funds	440,624	440,624	440,624	-	-
U.S. Government bonds	25,169	25,169	-	25,169	-
Equity securities:					
Common stock	639,746	639,746	639,746	-	-
Mutual funds	<u>658,848</u>	<u>658,848</u>	<u>658,848</u>	-	-
Total investments	3,090,617	3,090,617	1,739,218	1,351,399	-
Beneficial interest in assets held by others	<u>96,457</u>	<u>96,457</u>	-	-	<u>96,457</u>
	<u>\$ 3,187,074</u>	<u>\$ 3,187,074</u>	<u>\$ 1,739,218</u>	<u>\$ 1,351,399</u>	<u>\$ 96,457</u>

	As of March 31, 2017				
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Fixed income securities:					
Corporate bonds	\$ 849,612	\$ 849,612	\$ -	\$ 849,612	\$ -
Certificates of deposit	595,484	595,484	-	595,484	-
Mutual funds	538,046	538,046	538,046	-	-
U.S. Government bonds	26,113	26,113	-	26,113	-
Equity securities:					
Common stock	584,941	584,941	584,941	-	-
Mutual funds	825,985	825,985	825,985	-	-
Total investments	3,420,181	3,420,181	1,948,972	1,471,209	-
Beneficial interest in assets held by others	93,151	93,151	-	-	93,151
	<u>\$ 3,513,332</u>	<u>\$ 3,513,332</u>	<u>\$ 1,948,972</u>	<u>\$ 1,471,209</u>	<u>\$ 93,151</u>

Following is a description of methodologies used for instruments measured at fair value.

Fixed income and equity securities – When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Investments classified as Level 1 include common stocks and mutual funds. Other investments, such as corporate and U.S. Government bonds and certificates of deposit are classified within Level 2 of the hierarchy due to their proprietary nature and are independently valued by the fund manager or quoted market prices in nonactive markets.

Beneficial interest in assets held by others – The fair value of ICS’ beneficial interest in assets held by others is based on the fair value of fund investments as reported by the Community Foundations. These are considered to be level 3 investments.

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2018 and 2017.

	2018	2017
Balance at beginning of year	\$ 93,151	\$ 89,926
Purchases / contributions	-	-
Investment return, net	7,840	3,225
Distributions	(4,534)	-
Balance at end of year	<u>\$ 96,457</u>	<u>\$ 93,151</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided by the Community Foundations. Net investment performance includes realized and unrealized gains (losses) on investments, investment income, and administrative fees and is included in investment income in the accompanying statement of activities. Typically, distributions decrease ICS’ respective financial asset and increase cash at the time of distribution.

6. ENDOWMENT DISCLOSURES

ICS's endowment consists of two term endowment funds and board designated endowment funds resulting from the reciprocal transfer of funds to the Community Foundations. These endowment funds provide annual funding for specific activities and general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – ICS follows the ASC's guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The Board of Directors of ICS have interpreted OK UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ICS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the funds are appropriated for spending in accordance with spending policies. Similar treatment is applied to term endowments with the exception that the corpus is recorded in temporarily restricted net assets. The amount of endowment funds that have fallen below the endowment corpus value are reported in unrestricted net assets.

In accordance with OK UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds held for the benefit of ICS.

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policies of the organization.

Endowment net asset composition by type of fund and related changes as of and for the year ended March 31, 2018, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,050,708	\$ -	\$ 2,050,708
Board-designated endowment funds	96,457	-	-	96,457
	<u>\$ 96,457</u>	<u>\$ 2,050,708</u>	<u>\$ -</u>	<u>\$ 2,147,165</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 93,151	\$ 1,049,266	\$ 990,493	\$ 2,132,910
Investment return	7,840	85,541	-	93,381
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(4,534)	(74,592)	-	(79,126)
Donor change of restriction	-	990,493	(990,493)	-
Endowment net assets, end of year	<u>\$ 96,457</u>	<u>\$ 2,050,708</u>	<u>\$ -</u>	<u>\$ 2,147,165</u>

Endowment net asset composition by type of fund and related changes as of and for the year ended March 31, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,049,266	\$ 990,493	\$ 2,039,759
Board-designated endowment funds	93,151	-	-	93,151
	<u>\$ 93,151</u>	<u>\$ 1,049,266</u>	<u>\$ 990,493</u>	<u>\$ 2,132,910</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 89,926	\$ 990,493	\$ 1,032,015	\$ 2,112,434
Investment return	3,225	100,800	-	104,025
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(83,549)	-	(83,549)
Reclassification	-	41,522	(41,522)	-
Endowment net assets, end of year	<u>\$ 93,151</u>	<u>\$ 1,049,266</u>	<u>\$ 990,493</u>	<u>\$ 2,132,910</u>

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). ICS interprets OK UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with accounting principles generally accepted in the United States of America, if deficiencies of this nature are present, they will be reported in unrestricted net assets. At March 31, 2018 and 2017, no funds were underwater.

Return Objectives and Risk Parameters – ICS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that ICS must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested with investment policies which emphasize preservation of capital, protection against inflation and a continuing source of income. The board has authorized investments in equity securities up to 65% of the portfolio, fixed income securities up to 35% of the portfolio, and cash up to 15% of the portfolio for the restricted fund for programs endowment. The Board has

authorized investing only in principle guaranteed investments for the maintenance fund permanent endowment.

Spending Policy – The endowment earnings above corpus are available for distribution within donor restriction guidelines. Distributions are not allowed when funds are underwater. Distributions from the Community Foundations in accordance with their respective distribution guidelines are available for unrestricted use.

7. RESTRICTED NET ASSETS

The balance of restricted net assets consists of the following at March 31:

	<u>2018</u>	<u>2017</u>
Temporarily Restricted:		
Capital Campaign	\$ 15,606	\$ 24,514
Programs endowment	990,493	990,493
Maintenance endowment	1,060,217	58,773
BabyMobile operations	150,945	95,327
Car Seat operations	64,262	-
Warehouse equipment	56,407	-
Safe Sleep operations	15,000	-
Refrigeration unit	-	10,000
Other	7,713	5,232
	<u>\$ 2,360,643</u>	<u>\$ 1,184,339</u>
	<u>2018</u>	<u>2017</u>
Permanently Restricted:		
Maintenance endowment	\$ -	\$ 990,493
Artwork	201,321	201,321
	<u>\$ 201,321</u>	<u>\$ 1,191,814</u>

During 2017, restrictions related to the maintenance endowment included above were modified by the donor removing the permanent nature of the donation. As a result, the Organization reclassified \$990,493 from permanently restricted net assets to temporarily restricted net assets.

8. RETIREMENT PLAN

ICS maintains a Simple IRA salary deferral retirement plan for eligible employees. ICS has elected to contribute up to 3% of compensation for participating employees. Employer contributions for 2018 and 2017 totaled \$30,026 and \$29,091, respectively.

* * * * *