

INFANT CRISIS SERVICES, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
MARCH 31, 2019 AND 2018

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

INFANT CRISIS SERVICES, INC.
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March 31, 2019 and 2018

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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, 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.

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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, Infant Crisis Services, Inc. adopted Financial Accounting Standards Board recently issued Accounting Standards Update No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities" during the year ended March 31, 2019. 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. Our opinion is not modified with respect to this matter.

HSPG & Associates, P.C.

July 19, 2019

HSPG & ASSOCIATES, PC

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INFANT CRISIS SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 390,404	\$ 712,617
Investments	2,019,084	1,133,087
Contributions receivable, net	469,835	615,985
Accrued interest receivable	5,324	4,948
Assets designated for maintenance reserve:		
Cash and cash equivalents	169,710	-
Investments	865,588	-
Assets restricted for endowment:		
Cash and cash equivalents	-	93,178
Investments	-	1,957,530
Beneficial interest in assets held by others	96,035	96,457
Inventory	163,702	219,431
Prepaid expenses	47,617	46,546
Artwork	201,321	201,321
Property and equipment, net	<u>6,891,733</u>	<u>7,092,529</u>
 TOTAL ASSETS	 <u>\$ 11,320,353</u>	 <u>\$ 12,173,629</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 25,131	\$ 85,857
Accrued compensation	<u>65,741</u>	<u>63,449</u>
 TOTAL LIABILITIES	 <u>90,872</u>	 <u>149,306</u>
 NET ASSETS		
Without donor restrictions:		
Undesignated	2,940,836	2,369,830
Designated by the Board for maintenance reserve	1,035,298	-
Invested in property and equipment, net	6,891,733	7,092,529
With donor restrictions	<u>361,614</u>	<u>2,561,964</u>
 TOTAL NET ASSETS	 <u>11,229,481</u>	 <u>12,024,323</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 11,320,353</u>	 <u>\$ 12,173,629</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, 2019 (with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Comparative Total 2018
REVENUE AND SUPPORT				
Contributions	\$ 1,732,505	\$ 19,349	\$ 1,751,854	\$ 1,990,073
Grants and sponsorships	211,425	203,000	414,425	807,386
Investment income, net	74,409	-	74,409	181,932
Special event revenues	898,096	-	898,096	958,214
Realized gains from sale of fixed assets	-	-	-	1,125
Other income	-	-	-	3,521
Donor change of restriction	2,050,710	(2,050,710)	-	-
Release from restrictions	371,989	(371,989)	-	-
Total revenue and support	5,339,134	(2,200,350)	3,138,784	3,942,251
EXPENSES				
Program services	3,123,750	-	3,123,750	3,130,259
Management and general	167,576	-	167,576	161,742
Cost of direct benefit to donors	250,618	-	250,618	241,596
Fundraising	391,682	-	391,682	414,838
Total expenses	3,933,626	-	3,933,626	3,948,435
Change in net assets	1,405,508	(2,200,350)	(794,842)	(6,184)
NET ASSETS, BEGINNING OF YEAR	9,462,359	2,561,964	12,024,323	12,030,507
NET ASSETS, END OF YEAR	\$ 10,867,867	\$ 361,614	\$ 11,229,481	\$ 12,024,323

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,833,758	\$ 156,315	\$ 1,990,073
Grants and sponsorships	132,270	675,116	807,386
Investment income, net	96,391	85,541	181,932
Special event revenues	958,214	-	958,214
Realized gains from sale of fixed assets	1,125	-	1,125
Other income	3,521	-	3,521
Release from restrictions	731,161	(731,161)	-
	<u>3,756,440</u>	<u>185,811</u>	<u>3,942,251</u>
EXPENSES			
Program services	3,130,259	-	3,130,259
Management and general	161,742	-	161,742
Cost of direct benefit to donors	241,596	-	241,596
Fundraising	414,838	-	414,838
	<u>3,948,435</u>	<u>-</u>	<u>3,948,435</u>
Change in net assets	(191,995)	185,811	(6,184)
NET ASSETS, BEGINNING OF YEAR	9,654,354	2,376,153	12,030,507
NET ASSETS, END OF YEAR	<u>\$ 9,462,359</u>	<u>\$ 2,561,964</u>	<u>\$ 12,024,323</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, 2019

	Program Services	Management and General	Cost of Direct Benefit to Donors	Fundraising	Total
Salaries	\$ 1,044,235	\$ 97,251	\$ -	\$ 222,288	\$ 1,363,774
Benefits	117,348	10,665	-	24,376	152,389
Payroll taxes	80,610	7,328	-	16,750	104,688
	<u>1,242,193</u>	<u>115,244</u>	<u>-</u>	<u>263,414</u>	<u>1,620,851</u>
Essential program items	1,288,882	-	-	-	1,288,882
Professional fees	19,634	23,426	-	25,443	68,503
Supplies, printing and postage	50,867	2,932	-	38,012	91,811
Occupancy	64,737	1,319	-	1,319	67,375
Advertising, community awareness	23,163	-	-	31,203	54,366
Travel and local transportation	16,057	199	-	414	16,670
Insurance	51,782	4,149	-	2,338	58,269
Appreciation, gifts and awards	21,024	1,006	-	2,243	24,273
Conferences and meetings	9,131	8,423	-	4,982	22,536
Bad debts	90	-	-	12,112	12,202
Information technology	73,574	5,406	-	4,730	83,710
Special events	-	-	250,618	-	250,618
	<u>1,618,941</u>	<u>46,860</u>	<u>250,618</u>	<u>122,796</u>	<u>2,039,215</u>
Total expenses before depreciation	2,861,134	162,104	250,618	386,210	3,660,066
Depreciation	262,616	5,472	-	5,472	273,560
Total expenses	<u>\$ 3,123,750</u>	<u>\$ 167,576</u>	<u>\$ 250,618</u>	<u>\$ 391,682</u>	<u>\$ 3,933,626</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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (794,842)	\$ (6,184)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	273,560	259,503
Investment income, net	(74,409)	(181,932)
Realized gains on sale of property and equipment	-	(1,125)
Bad debt expense	12,202	51,057
Change in operating assets and liabilities:		
Donation, purchases of inventory	55,729	73,216
Accrued interest receivable	(376)	1,125
Contributions receivable	133,948	(70,310)
Prepaid expenses	(1,071)	(31,654)
Accounts payable	(60,726)	31,758
Accrued compensation	2,292	23,984
Net cash provided by (used in) operating activities	<u>(453,693)</u>	<u>149,438</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	276,692	503,655
Purchases of property and equipment	(72,764)	(123,823)
Proceeds from sale of property and equipment	-	1,125
Proceeds from beneficial interest in assets held by others	4,084	4,534
Net cash provided by investing activities	<u>208,012</u>	<u>385,491</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital campaign contributions received	-	82,500
Net cash provided by financing activities	<u>-</u>	<u>82,500</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(245,681)	617,429
CASH AND CASH EQUIVALENTS, Beginning of year	805,795	188,366
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 560,114</u>	<u>\$ 805,795</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 390,404	\$ 712,617
Restricted cash and cash equivalents	-	93,178
Designated cash and cash equivalents	169,710	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 560,114</u>	<u>\$ 805,795</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, 2019 AND 2018

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 – Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation reports information regarding ICS’s financial position and activities as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2019 and 2018, ICS has reported in-kind contributions in the amount of \$730,238 and \$820,221, 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 that are 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 estimate the amount of unconditional promises receivable for which collection is not probable. The allowance is based upon prior years' experience and management's analysis of specific promises made. At March 31, 2019 and 2018, ICS recorded an allowance for uncollectible promises to give of \$40,061 and \$50,474, 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:

	2019	2018
Interest and dividends	\$ 86,130	\$ 84,642
Unrealized and realized gains	2,286	112,419
Investment management fees	(14,007)	(15,129)
	<u>\$ 74,409</u>	<u>\$ 181,932</u>

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 4). 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 net assets without donor restriction 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 with donor restriction. 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, 2019 and 2018, ICS' balances with financial institutions subject to FDIC coverage exceeded such coverage by \$9,279 and \$229,270, 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 2016.

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 6). 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, 2019 or 2018.

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 \$54,366 and \$53,982 for the years ended March 31, 2019 and 2018, respectively.

Subsequent events – Management has evaluated subsequent events through July 19, 2019, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Change in accounting guidance – In August 2016, the Financial Accounting Standards Board (“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. ICS has adopted this ASU for the year ended March 31, 2019 and has retroactively applied this guidance to the financial statements as of and for the year ended March 31, 2018 included herein. Adoption of this guidance did not impact total net assets or change in net assets as reported as of and for the year ended March 31, 2018.

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.

In June 2018, the FASB issued ASU No. 2018-08 “Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The new guidance clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The effective date of the amended standard will begin in periods beginning after December 15, 2018 when the entity is a resource recipient and in periods after December 15, 2019 when the entity is a resource provider. Early adoption is permitted.

Management is currently evaluating the impact (which is not expected to be material) that adopting the above recent accounting pronouncements will have on ICS’ financial statements in future reporting periods.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	2019	2018
Cash and cash equivalents	\$ 390,404	\$ 712,617
Operating investments	2,019,084	1,133,087
Contributions receivable	181,888	293,376
Accrued interest	5,324	4,948
Distributions from beneficial interests in assets held by others	4,066	4,084
	<u>\$2,600,766</u>	<u>\$2,148,112</u>

In addition to the above financial assets, ICS’ board designated maintenance reserve (see note 8), reported in assets designated for maintenance reserve as of March 31, 2019 and assets restricted for endowment as of March 31, 2018 in the statements of financial position, is also available to fund repairs and maintenance subject to approval by the board of directors.

ICS receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. ICS manages its liquidity and reserves

following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

3. PROMISES TO GIVE

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

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 181,888	\$ 293,376
Due in one to five years	303,594	333,720
Due in more than five years	<u>27,385</u>	<u>42,680</u>
	512,867	669,776
Less: Allowance	(40,061)	(50,474)
Less: Discount to present value at a rate of 1%	<u>(2,971)</u>	<u>(3,317)</u>
	<u>\$ 469,835</u>	<u>\$ 615,985</u>

4. 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, 2019 and 2018 was as follows:

	<u>2019</u>		<u>2018</u>	
	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	\$ 86,511	\$ 198,339	\$ 86,560	\$ 197,735
CFO	<u>9,524</u>	<u>6,131</u>	<u>9,897</u>	<u>6,084</u>
	<u>\$ 96,035</u>	<u>\$ 204,470</u>	<u>\$ 96,457</u>	<u>\$ 203,819</u>

5. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 458,809	\$ 458,809
Building and improvements	7,508,002	7,487,697
Office furniture and equipment	1,383,891	1,337,794
Automobiles	<u>223,046</u>	<u>216,683</u>
	9,573,748	9,500,983
Less: accumulated depreciation	<u>(2,682,015)</u>	<u>(2,408,454)</u>
	<u>\$ 6,891,733</u>	<u>\$ 7,092,529</u>

Depreciation expense charged to operations was \$273,560 and \$259,503 for the years ended March 31, 2019 and 2018, respectively.

6. FAIR VALUE MEASUREMENTS

Assets measured at fair value consist of the following:

	As of March 31, 2019				
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Fixed income securities:					
Corporate bonds	\$ 686,081	\$ 686,081	\$ -	\$ 686,081	\$ -
Certificates of deposit	616,443	616,443	-	616,443	-
Mutual funds	358,560	358,560	358,560	-	-
Equity securities:					
Common stock	557,257	557,257	557,257	-	-
Mutual funds	<u>666,331</u>	<u>666,331</u>	<u>666,331</u>	<u>-</u>	<u>-</u>
Total investments	2,884,672	2,884,672	1,582,148	1,302,524	-
Beneficial interest in assets held by others	<u>96,035</u>	<u>96,035</u>	<u>-</u>	<u>-</u>	<u>96,035</u>
	<u>\$ 2,980,707</u>	<u>\$ 2,980,707</u>	<u>\$ 1,582,148</u>	<u>\$ 1,302,524</u>	<u>\$ 96,035</u>

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	658,848	658,848	658,848	-	-
Total investments	3,090,617	3,090,617	1,739,218	1,351,399	-
Beneficial interest in assets held by others	96,457	96,457	-	-	96,457
	<u>\$ 3,187,074</u>	<u>\$ 3,187,074</u>	<u>\$ 1,739,218</u>	<u>\$ 1,351,399</u>	<u>\$ 96,457</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, 2019 and 2018.

	2019	2018
Balance at beginning of year	\$ 96,457	\$ 93,151
Purchases / contributions	-	-
Investment return, net	3,662	7,840
Distributions	(4,084)	(4,534)
Balance at end of year	<u>\$ 96,035</u>	<u>\$ 96,457</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.

7. ENDOWMENT DISCLOSURES

ICS's endowment consists of board designated endowment funds resulting from the reciprocal transfer of funds to the Community Foundations. ICS' endowment also included two term endowment funds as of March 31, 2018 which were released to net assets without donor restrictions during the year ended March 31, 2019 (see note 8). 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 retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in accordance with spending policies. Similar treatment is applied to term endowments with the exception that the corpus is retained in perpetuity. 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, 2019, is as follows:

	Without donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ -
Board-designated endowment funds	96,035	-	96,035
	<u>\$ 96,035</u>	<u>\$ -</u>	<u>\$ 96,035</u>

	Without donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 96,457	\$ 2,050,708	\$ 2,147,165
Investment return	3,662	-	3,662
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(4,084)	-	(4,084)
Distributions	-	-	-
Donor change of restrictions	-	(2,050,708)	(2,050,708)
Endowment net assets, end of year	<u>\$ 96,035</u>	<u>\$ -</u>	<u>\$ 96,035</u>

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

	Without donor Restrictions	With Donor Restrictions	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>\$ 2,147,165</u>

	Without donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 93,151	\$ 2,039,759	\$ 2,132,910
Investment return	7,840	85,541	93,381
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(4,534)	(74,592)	(79,126)
Endowment net assets, end of year	<u>\$ 96,457</u>	<u>\$ 2,050,708</u>	<u>\$ 2,147,165</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. At March 31, 2019 and 2018, 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 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.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purposes:		
Capital Campaign	\$ -	\$ 15,606
BabyMobile operations	-	150,945
Car Seat operations	67,737	64,262
Warehouse equipment	43,450	56,407
Safe Sleep operations	24,108	15,000
Specialty formula	21,392	-
Other	3,606	7,713
	<u>160,293</u>	<u>309,933</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Maintenance endowment	-	1,060,217
Programs endowment	-	990,493
	<u>-</u>	<u>2,050,710</u>
Not subject to spending policy or appropriation:		
Artwork	<u>201,321</u>	<u>201,321</u>
Total net assets with donor restrictions	<u>\$ 361,614</u>	<u>\$ 2,561,964</u>

During the year ended March 31, 2019, management and the board of directors further evaluated correspondence from the original donor of the maintenance and programs endowments. The original donor has dissolved as a legal entity. Upon their dissolution, final correspondence from the donor ultimately provides the board with final approval to distribute the corpus from these endowments at their discretion. As such, these endowments have been released to net assets without donor restrictions. The Board has designated the funds formerly held as the maintenance endowment to be a board designated reserve.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Distributions (proceeds are not restricted by donors):		
Programs endowment	\$ -	\$ 74,590
Satisfaction of purpose restrictions:		
Capital Campaign	15,606	8,908
BabyMobile operations	280,945	374,356
Car Seat operations	17,073	10,008
Warehouse equipment	12,957	21,893
Safe Sleep operations	6,092	-
Specialty formula	28,608	-
Diaper and nutrition operations	-	200,000
Other	10,708	41,406
	<u>\$ 371,989</u>	<u>\$ 731,161</u>

9. 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 2019 and 2018 totaled \$31,066 and \$30,026, respectively.

10. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, building insurance, maintenance, and depreciation, which are allocated on a square footage basis; salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort; and office expenses, and information technology, which are allocated on a blended rate of square footage and time and effort.

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