

INFANT CRISIS SERVICES, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
MARCH 31, 2022 AND 2021

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT



INFANT CRISIS SERVICES, INC.
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March 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Infant Crisis Services, Inc., (a nonprofit organization) (“Organization”), which comprise the statements of financial position as of March 31, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Infant Crisis Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibility for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

HSPG & ASSOCIATES, PC

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

HSPG & Associate, P.C.

July 27, 2022

INFANT CRISIS SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,521,388	\$ 2,166,627
Investments	2,585,147	2,486,289
Contributions receivable, net	323,549	427,270
Beneficial interest in assets held by others	110,681	110,486
Inventory	445,863	435,508
Prepaid expenses	61,155	58,524
Artwork	201,321	201,321
Property and equipment, net	<u>6,146,872</u>	<u>6,412,938</u>
 TOTAL ASSETS	 <u>\$ 12,395,976</u>	 <u>\$ 12,298,963</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 100,686	\$ 162,150
Accrued compensation	57,728	60,070
Paycheck Protection Program forgivable loan	-	283,700
Capital lease liability	<u>22,782</u>	<u>31,066</u>
 TOTAL LIABILITIES	 <u>181,196</u>	 <u>536,986</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	4,520,452	3,577,387
Designated by the Board for maintenance reserve	785,541	785,535
Designated by the Board for program reserve	253,875	250,618
Invested in property and equipment, net	6,124,090	6,381,872
With donor restrictions	<u>530,822</u>	<u>766,565</u>
 TOTAL NET ASSETS	 <u>12,214,780</u>	 <u>11,761,977</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 12,395,976</u>	 <u>\$ 12,298,963</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, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
REVENUE AND SUPPORT				
Contributions	\$ 1,262,964	\$ 29,422	\$ 1,292,386	\$ 1,374,082
Donated assets	723,228	-	723,228	717,786
Grants and sponsorships	705,813	-	705,813	474,350
Investment income, net	108,372	-	108,372	724,965
Special event revenues	850,467	-	850,467	604,617
Other income	139	-	139	-
Release from restrictions	265,165	(265,165)	-	-
Total revenue and support	<u>3,916,148</u>	<u>(235,743)</u>	<u>3,680,405</u>	<u>3,895,800</u>
EXPENSES				
Program services	2,568,540	-	2,568,540	2,560,055
Management and general	139,492	-	139,492	130,263
Cost of direct benefit to donors	187,158	-	187,158	18,785
Fundraising	332,412	-	332,412	309,496
Total expenses	<u>3,227,602</u>	<u>-</u>	<u>3,227,602</u>	<u>3,018,599</u>
Change in net assets	688,546	(235,743)	452,803	877,201
NET ASSETS, BEGINNING OF YEAR	10,995,412	766,565	11,761,977	10,884,776
NET ASSETS, END OF YEAR	<u>\$ 11,683,958</u>	<u>\$ 530,822</u>	<u>\$12,214,780</u>	<u>\$11,761,977</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,370,132	\$ 3,950	\$ 1,374,082
Donated assets	717,786	-	717,786
Grants and sponsorships	474,350	-	474,350
Investment income, net	724,965	-	724,965
Special event revenues	425,448	179,169	604,617
Release from restrictions	163,467	(163,467)	-
	<u>3,876,148</u>	<u>19,652</u>	<u>3,895,800</u>
EXPENSES			
Program services	2,560,055	-	2,560,055
Management and general	130,263	-	130,263
Cost of direct benefit to donors	18,785	-	18,785
Fundraising	309,496	-	309,496
	<u>3,018,599</u>	<u>-</u>	<u>3,018,599</u>
Change in net assets	857,549	19,652	877,201
NET ASSETS, BEGINNING OF YEAR	10,137,863	746,913	10,884,776
NET ASSETS, END OF YEAR	<u>\$ 10,995,412</u>	<u>\$ 766,565</u>	<u>\$ 11,761,977</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, 2022

	Program Services	Management and General	Cost of Direct Benefit to Donors	Fundraising	Total
Salaries	\$ 906,401	\$ 82,400	\$ -	\$ 188,343	\$ 1,177,144
Benefits	87,575	7,956	-	18,186	113,717
Payroll taxes	75,777	6,889	-	15,746	98,412
	<u>1,069,753</u>	<u>97,245</u>	<u>-</u>	<u>222,275</u>	<u>1,389,273</u>
Essential program items	976,507	-	-	-	976,507
Professional fees	19,298	25,403	-	3,975	48,676
Supplies, printing and postage	23,281	2,919	-	46,033	72,233
Occupancy	61,487	1,269	-	1,270	64,026
Advertising, community awareness	40,392	594	-	37,592	78,578
Travel and local transportation	15,451	356	-	474	16,281
Insurance	46,845	1,168	-	1,765	49,778
Appreciation, gifts and awards	2,907	158	-	487	3,552
Conferences and meetings	3,173	2,339	-	455	5,967
Bad debts	-	-	-	7,184	7,184
Information technology	39,347	2,427	-	5,288	47,062
Special events	-	-	187,158	-	187,158
Other Expenses	641	-	-	-	641
	<u>1,229,329</u>	<u>36,633</u>	<u>187,158</u>	<u>104,523</u>	<u>1,557,643</u>
Total expenses before depreciation	2,299,082	133,878	187,158	326,798	2,946,916
Depreciation	269,458	5,614	-	5,614	280,686
Total expenses	<u>\$2,568,540</u>	<u>\$ 139,492</u>	<u>\$ 187,158</u>	<u>\$ 332,412</u>	<u>\$ 3,227,602</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, 2021

	Program Services	Management and General	Cost of Direct Benefit to Donors	Fundraising	Total
Salaries	\$ 862,581	\$ 78,416	\$ -	\$ 179,237	\$1,120,234
Benefits	88,866	8,078	-	18,465	115,409
Payroll taxes	70,402	6,400	-	14,629	91,431
	<u>1,021,849</u>	<u>92,894</u>	<u>-</u>	<u>212,331</u>	<u>1,327,074</u>
Essential program items	1,043,166	-	-	-	1,043,166
Professional fees	19,586	20,850	-	3,891	44,327
Supplies, printing and postage	15,218	2,656	-	39,501	57,375
Occupancy	58,075	1,166	-	1,165	60,406
Advertising, community awareness	30,869	-	-	27,254	58,123
Travel and local transportation	3,586	94	-	202	3,882
Insurance	40,019	2,570	-	1,595	44,184
Appreciation, gifts and awards	1,286	300	-	75	1,661
Conferences and meetings	3,773	1,057	-	144	4,974
Bad debts	-	-	-	15,663	15,663
Information technology	47,171	3,103	-	2,102	52,376
Special events	-	-	18,785	-	18,785
	<u>1,262,749</u>	<u>31,796</u>	<u>18,785</u>	<u>91,592</u>	<u>1,404,922</u>
Total expenses before depreciation	2,284,598	124,690	18,785	303,923	2,731,996
Depreciation	275,457	5,573	-	5,573	286,603
Total expenses	<u><u>\$2,560,055</u></u>	<u><u>\$ 130,263</u></u>	<u><u>\$ 18,785</u></u>	<u><u>\$ 309,496</u></u>	<u><u>\$3,018,599</u></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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 452,803	\$ 877,201
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	280,686	286,603
Investment loss / (income), net	(103,865)	(722,453)
Bad debt expense	7,184	15,663
Forgiveness of Paycheck Protection Program loan	(283,700)	-
Change in operating assets and liabilities:		
Inventory	(10,355)	(142,844)
Contributions receivable	96,537	100,321
Prepaid expenses	(2,631)	(5,256)
Accounts payable	(61,464)	117,217
Accrued compensation	(2,342)	(5,524)
Net cash provided by operating activities	<u>372,853</u>	<u>520,928</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	-	690,208
Purchases of property and equipment	(14,620)	(21,912)
Proceeds from beneficial interest in assets held by others	4,812	4,681
Net cash (used in) provided by investing activities	<u>(9,808)</u>	<u>672,977</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments made on capital lease liability	(8,284)	(10,355)
Proceeds from Paycheck Protection Program loan	-	283,700
Net cash (used in) provided by financing activities	<u>(8,284)</u>	<u>273,345</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	354,761	1,467,250
CASH AND CASH EQUIVALENTS, Beginning of year	2,166,627	699,377
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 2,521,388</u></u>	<u><u>\$ 2,166,627</u></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, 2022 AND 2021

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 except those cash equivalents included in ICS’ investment accounts.

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. The fair market value was determined based on prices for similar goods listed in local retail markets as of the date the donation was received. Donated assets are distributed by ICS to clients in need as apart of normal program operations.

For the years ended March 31, 2022, and 2021, ICS has reported the following contributed nonfinancial assets as contributions in the accompanying statements of activities.

	<u>2022</u>	<u>2021</u>
Formula	\$ 37,481	\$ 28,661
Diapers	132,495	104,311
Food	67,741	212,089
Clothing	313,024	225,313
Wipes / wash	40,425	33,213
Bottles	12,633	7,194
Toys	14,944	10,009
Misc. baby / household items	104,485	84,912
Car seats / safe sleep items	-	12,084
	<u>\$ 723,228</u>	<u>\$ 717,786</u>

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, 2022 and 2021, ICS recorded an allowance for uncollectible promises to give of \$23,456 and \$32,806, 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:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 52,175	\$ 62,603
Unrealized and realized gains (losses)	63,819	670,296
Investment management fees	(7,622)	(7,934)
	<u>\$ 108,372</u>	<u>\$ 724,965</u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying financial statements.

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. Donated inventories are recorded at estimated fair market value at the date of the gift.

Artwork – ICS received a restricted contribution of artwork requiring ICS 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, 2022, and 2021, ICS’ balances with financial institutions subject to FDIC coverage exceeded such coverage by \$1,611,731 and \$1,088,401, 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 2019.

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, considering 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, 2022 or 2021.

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 \$78,578 and \$58,123 for the years ended March 31, 2022 and 2021, respectively.

Subsequent events – ICS has evaluated subsequent events through July 27, 2022, the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2022 financial statements.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications did not affect the previously reported total amount of net assets or changes in net assets.

Change in accounting guidance – In September 2020, the FASB issued ASU No. 2020-07 *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* which increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (“NFP”) organizations including transparency on how those assets are used and how they are valued. The ASU requires an NFP to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires an NFP to disclose certain information related to the types of contributed nonfinancial assets received, whether they were utilized or monetized, the NFP’s policy, if any, about monetizing rather than utilizing such assets, and valuation techniques used to determine the valuation of such contributed assets. ICS has adopted this ASU for the year ended March 31, 2022 and has retroactively applied this guidance to the financial statements as of and for the year ended March 31, 2021 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, 2021.

Recent accounting pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02 *Leases* (Topic 842). The purpose of the guidance is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position as well as providing additional disclosure requirements related to leasing arrangements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021, though early adoption is permitted. Management is currently evaluating the impact that adopting this recent accounting pronouncement 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$2,521,388	\$2,166,627
Investments	2,585,147	2,486,289
Contributions receivable - current	142,002	186,805
Distributions from beneficial interests in assets held by others	<u>4,820</u>	<u>7,595</u>
	5,253,357	4,847,316
Less:		
Board designated assets - maintenance reserve	(785,541)	(785,535)
Board designated assets - program reserve	(253,875)	(250,618)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$4,213,941</u>	<u>\$3,811,163</u>

In addition to financial assets available for general expenditures, ICS' board designated reserves are also available subject to approval by the board of directors for building maintenance or program expenditures.

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>2022</u>	<u>2021</u>
Due in less than one year	\$ 142,002	\$ 186,805
Due in one to five years	204,232	267,552
Due in more than five years	<u>2,657</u>	<u>8,217</u>
	348,891	462,574
Less: Allowance	(23,456)	(32,806)
Less: Discount to present value at a rate of 1%	<u>(1,886)</u>	<u>(2,498)</u>
	<u>\$ 323,549</u>	<u>\$ 427,270</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, 2022 and 2021 was as follows:

	2022		2021	
	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	\$ 99,647	\$ 235,805	\$ 99,452	\$ 229,838
CFO	11,034	7,350	11,034	7,361
	\$ 110,681	\$ 243,155	\$ 110,486	\$ 237,199

5. PROPERTY AND EQUIPMENT

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

	2022	2021
Land	\$ 458,809	\$ 458,809
Building and improvements	7,508,002	7,508,002
Office furniture and equipment	1,484,981	1,470,361
Automobiles	223,046	223,046
	9,674,838	9,660,218
Less: accumulated depreciation	(3,527,966)	(3,247,280)
	\$ 6,146,872	\$ 6,412,938

Depreciation expense charged to operations was \$280,686 and \$286,603 for the years ended March 31, 2022 and 2021, respectively.

6. FAIR VALUE MEASUREMENTS

Assets measured at fair value consist of the following:

	As of March 31, 2022				
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Cash equivalents	\$ 253,702	\$ 253,702	\$ 253,702	\$ -	\$ -
Fixed income securities:					
Mutual funds	564,118	564,118	564,118	-	-
Equity securities:					
Mutual funds	1,767,327	1,767,327	1,767,327	-	-
Total investments	2,585,147	2,585,147	2,585,147	-	-
Beneficial interest in assets held by others					
	110,681	110,681	-	-	110,681
	<u>\$ 2,695,828</u>	<u>\$ 2,695,828</u>	<u>\$ 2,585,147</u>	<u>\$ -</u>	<u>\$ 110,681</u>

	As of March 31, 2021				
	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Cash equivalents	\$ 170,059	\$ 170,059	\$ 170,059	\$ -	\$ -
Fixed income securities:					
Corporate bonds	104,347	104,347	-	104,347	-
Mutual funds	415,795	415,795	415,795	-	-
Equity securities:					
Mutual funds	1,796,088	1,796,088	1,796,088	-	-
Total investments	2,486,289	2,486,289	2,381,942	104,347	-
Beneficial interest in assets held by others					
	110,486	110,486	-	-	110,486
	<u>\$ 2,596,775</u>	<u>\$ 2,596,775</u>	<u>\$ 2,381,942</u>	<u>\$ 104,347</u>	<u>\$ 110,486</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 mutual funds. Other investments, such as corporate bonds 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.

7. CAPITAL LEASE

ICS entered into a 5-year lease for warehouse equipment starting on March 30, 2020. Capital lease assets are included with office furniture and equipment (see Note 5) with a carrying value of \$20,710 and \$28,995 as of March 31, 2022, and 2021, respectively. There is no penalty for early pay-off of the lease. Approximate future minimum lease payments under the noncancelable lease as of March 31, 2022 is:

Year Ended	
2023	\$ 8,886
2024	8,886
2025	8,886
	<u>26,657</u>
Less: Amounts representing interest	<u>(3,875)</u>
	<u>\$ 22,782</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes:		
Boots & Ball Gowns event	\$ -	\$ 179,169
Car Seat operations	53,423	53,423
Warehouse equipment	31,062	29,562
Safe Sleep operations	15,287	15,287
Specialty formula	30,619	9,503
Other	8,577	2,531
	<u>138,968</u>	<u>289,475</u>
Subject to passage of time	190,533	275,769
Not subject to spending policy or appropriation:		
Artwork	<u>201,321</u>	<u>201,321</u>
Total net assets with donor restrictions	<u>\$ 530,822</u>	<u>\$ 766,565</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 2022 and 2021 totaled \$33,068 and \$33,916, 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.

11. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

In April 2020, ICS received a forgivable loan from the federal government as part of the Small Business Administration (SBA) Paycheck Protection Program (PPP) in the amount of \$283,700 bearing annual interest of 1.00%. Management received full forgiveness of this loan in July 2021. These funds are recognized as grant revenue in the accompanying statement of activities for the year ended March 31, 2022.

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