

WINGS Special Needs Community, Inc.

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDING
DECEMBER 31, 2018 and 2017

BELL & RHODES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
EDMOND, OKLAHOMA

BELL & RHODES, P.C.

Certified Public Accountants

14220 Barbour Avenue

Oklahoma City, OK 73134

INDEPENDENT AUDITOR'S REPORT

Ms. Cheri Weaver and the Board of Directors
WINGS Special Needs Community, Inc.
13700 North Eastern Avenue
Edmond, Oklahoma 73013

We have audited the accompanying financial statements of WINGS Special Needs Community, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, cash flows, and functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WINGS Special Needs Community, Inc. as of December 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.

Bell & Albrecht, P.C.

October 25, 2019

WINGS Special Needs Community, Inc.
Statements of Financial Position
As of December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 483,979	\$ 530,430
Accounts receivable	26,191	17,105
Prepaid expenses	11,014	4,666
Total Current Assets	521,184	552,201
Assets restricted by donors and the Board		
Cash and cash equivalents	351,876	39,083
Certificate of Deposit, at market	1,509,256	-
Restricted assets	1,861,132	39,083
Property and equipment		
Furniture and fixtures	26,402	24,515
Leasehold improvements	6,700	6,700
Transportation equipment	48,703	18,781
	81,805	49,996
Accumulated depreciation	(31,504)	(31,307)
Net property and equipment	50,301	18,689
Deposit	5,000	5,000
Total Assets	\$ 2,437,617	\$ 614,973
Liabilities		
Current Liabilities		
Accounts payable	\$ 15,680	\$ 7,000
Accrued liabilities	14,177	12,521
Deferred revenue - fundraising events	7,000	-
Tuition and event center prepayments	6,311	4,411
Total Current Liabilities	43,168	23,932
Net Assets		
Net assets without donor restrictions	533,317	551,958
Board restricted:		
Residential community - land and infrastructure	1,509,256	-
Operating reserve	300,000	-
Net assets with donor restrictions	51,876	39,083
Total Net Assets	2,394,449	591,041
Total Liabilities and Net Assets	\$ 2,437,617	\$ 614,973

WINGS Special Needs Community, Inc.
Statements of Activity and Changes in Net Assets
For the Years Ended December 31, 2018 and 2017

	2018				2017
	Without Donor Restriction	Board Restricted	With Donor Restriction	Total	
Revenue and Other Support					
Contributions	\$ 1,537,021	\$ -	\$ 66,144	\$ 1,603,165	\$ 257,413
Donated goods and services	37,751	-	-	37,751	-
Grants and sponsorships	84,400	-	-	84,400	26,828
Fundraising special event revenue	627,535	-	27,300	654,835	410,941
Cost of direct benefit to donors-fundraising	(170,672)	-	-	(170,672)	(75,968)
Tuition	195,512	-	-	195,512	197,774
Event center, net of \$33,049 related costs (\$32,654 in 2017)	60,924	-	-	60,924	88,042
Interest income	-	9,256	-	9,256	-
Income (loss) on sale of assets	(6,835)	-	-	(6,835)	-
Other income (loss)	6,072	-	-	6,072	7,453
Net assets released from restrictions	<u>80,651</u>	<u>-</u>	<u>(80,651)</u>	<u>-</u>	<u>-</u>
Total Revenue and other Support	2,452,359	9,256	12,793	2,474,408	912,483
Expenses					
Program services:	502,290	-	-	502,290	410,340
Management & general	72,632	-	-	72,632	66,957
Fundraising	<u>96,078</u>	<u>-</u>	<u>-</u>	<u>96,078</u>	<u>91,609</u>
Total expenses	<u>671,000</u>	<u>-</u>	<u>-</u>	<u>671,000</u>	<u>568,906</u>
Change in net assets	1,781,359	9,256	12,793	1,803,408	343,577
Board restriction of funds-transfer	(1,800,000)	1,800,000	-	-	-
Net assets at beginning of year	<u>551,958</u>	<u>-</u>	<u>39,083</u>	<u>591,041</u>	<u>247,464</u>
Net assets at end of year	<u>\$ 533,317</u>	<u>\$ 1,809,256</u>	<u>\$ 51,876</u>	<u>\$ 2,394,449</u>	<u>\$ 591,041</u>

WINGS Special Needs Community, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
Revenue and Other Support			
Contributions	\$ 217,949	\$ 39,464	\$ 257,413
Grants and sponsorships	26,828	-	26,828
Fundraising special event revenue	410,941	-	410,941
Cost of direct benefit to donors-fundraising	(75,968)	-	(75,968)
Tuition	197,774	-	197,774
Event center, net of \$32,654 related costs	88,042	-	88,042
Other income	7,453	-	7,453
Net assets released from restrictions	59,359	(59,359)	-
Total Revenue and other Support	932,378	(19,895)	912,483
Expenses			
Program services:	410,340	-	410,340
Management & general	66,957	-	66,957
Fundraising	91,609	-	91,609
Total expenses	568,906	-	568,906
 Change in net assets	 363,472	 (19,895)	 343,577
Net assets at beginning of year	188,486	58,978	247,464
Net assets at end of year	\$ 551,958	\$ 39,083	\$ 591,041

WINGS Special Needs Community, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets from operations	\$ 1,803,408	\$ 343,577
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	10,840	8,186
Loss (gain) on sale of assets	6,839	-
Increase in accounts receivable	(9,086)	(11,012)
Increase in prepaid expenses	(6,348)	(4,666)
Increase in accounts payable	8,680	3,704
Increase in accrued liabilities	1,655	5,720
Increase (decrease) in prepaid tuition and event center security deposits	1,900	(6,964)
Increase in deferred revenue-fundraising events	7,000	-
Net cash provided by operating activities	1,824,888	338,545
Cash Flows from Investing Activities		
Purchases of property and equipment	(50,590)	(3,705)
Sales proceeds from sale of property and equipment	1,300	-
Net cash applied to investing activities	(49,290)	(3,705)
Cash Flows from Financing Activities		
Transfer from (to) restricted net assets - donor restricted	(12,793)	19,895
Reinvested CD earnings	(9,256)	-
Transfer from (to) restricted net assets - Board restricted	(1,800,000)	-
Net cash applied to (provided by) financing activities	(1,822,049)	19,895
Net change in cash and cash equivalents	(46,451)	354,735
Cash at beginning of year	530,430	175,695
Cash at end of year	\$ 483,979	\$ 530,430

Supplemental Information:

Interest expense paid	\$ -
Income taxes paid	\$ -

WINGS Special Needs Community, Inc.
Statement of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	Program Expenses	Support Activities		Total Expenses
		Management and General	Fundraising	
For the year ended December 31, 2018				
Salaries and wages	\$ 214,792	\$ 58,028	\$ 52,624	\$ 325,444
Employee benefits	45,896	11,592	10,486	67,974
Program supplies and expenses	89,253	-	-	89,253
Rent and building expenses	91,790	1,092	1,780	94,662
Insurance expense	17,460	94	153	17,707
Marketing expense	-	-	19,835	19,835
Professional service expenses	8,755	1,104	4,608	14,467
Depreciation	9,760	116	189	10,065
Other	24,584	606	6,403	31,593
	<u>\$ 502,290</u>	<u>\$ 72,632</u>	<u>\$ 96,078</u>	<u>\$ 671,000</u>

For the year ended December 31, 2017				
Salaries and wages	\$ 183,255	\$ 52,128	\$ 45,555	\$ 280,938
Employee benefits	37,250	8,628	7,430	53,308
Program supplies and expenses	38,534	-	-	38,534
Rent and building expenses	92,195	1,097	1,788	95,080
Insurance expense	9,613	1,454	1,313	12,380
Marketing expense	-	-	17,156	17,156
Professional service expenses	23,122	2,915	12,170	38,207
Depreciation	7,371	88	143	7,602
Other	19,000	647	6,054	25,701
	<u>\$ 410,340</u>	<u>\$ 66,957</u>	<u>\$ 91,609</u>	<u>\$ 568,906</u>

WINGS Special Needs Community, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

1. Nature of Activities

WINGS A Special Needs Community (WINGS), a 501(c)(3) nonprofit organization, incorporated in the State of Oklahoma in 2004, and was established with a mission to enhance the lives of adults with diverse developmental disabilities, through social, vocational, and residential programs guided by principles of the Bible. WINGS is accredited by the National Commission for Special Educational Services based on its educational and vocational opportunities which can lead to independent living. WINGS is the only special needs organization in Oklahoma that has been awarded this particular set of credentials. WINGS has executed a Real Estate Purchase Contract in October 2019, which following the closing process expected to occur in early 2020, will allow the organization to begin the development of a residential community, following a capital campaign to launch in 2020-2021 (See Note 8. Subsequent Events).

2. Significant Accounting Policies

- a. 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, unless related to specific fundraising events. In that case, such expenses are recognized at the time of the fundraising event.

In periods prior to 2017, WINGS reported its financial statements on the modified cash basis of accounting. Accordingly, net assets as of the beginning of the period ended December 31, 2017 has been restated for this change in basis of accounting, the effect of which was to reduce net assets by \$7,619, primarily related to the recognition of salary and wages and related employee benefits due as of December 31, 2016.

Effective January 1, 2018, WINGS adopted Accounting Standard Update (ASU) 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 the financial statements and notes about liquidity, financial performance and cash flows. As a result, certain reclassifications, presentation and disclosures have been made to the financial statements as of and for the year ended December 31, 2017 to conform to that made in 2018.

- b. Basis of presentation – The financial statements report information regarding WING's financial position and activities according to two classes – donor restricted net assets and unrestricted net assets. The Board of Directors further restricts net assets not restricted by donors based on its policy to maintain a six-month cash reserve and for future residential community development, as discussed more fully below.
- c. Cash equivalents – WINGS considers all highly liquid investments with a maturity, when purchased, of 90 days or less to be cash equivalents.

WINGS Special Needs Community, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Significant Accounting Policies – Continued

- d. Donated assets and services – 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 donate substantial amounts of goods and services (primarily for fundraising events and programming). To the extent that such donations are made under the control of WINGS, are objectively measureable, and represent expenditures which would otherwise be incurred by WINGS, they are reflected as contributions and fundraising/program expense. However, most of these donations cannot be objectively measured and thus no significant amount of donated goods and services have been reflected in the accompanying financial statements.

WINGS receives donated services from unpaid volunteers who assist in programs and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition under accounting principles generally accepted in the United States of America has not been met.

- e. Revenue recognition – Contributions are recognized when the donor makes a promise to unconditionally give to WINGS. All contributions are available for unrestricted use unless specifically restricted by the donor or restricted by the Board of Directors. Conditional promises to give are recorded when the conditions on which they depend are substantially met or the asset placed in service. Unconditional promises to give are recorded at their net present value, using risk-free interest rates applicable to the period in which the promises are to be received.

Revenue is recognized when earned. Fundraising revenues are deferred to the applicable period in which the related special event occurs.

- f. Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Assets, Liabilities and Net Assets. Fair values are based on quoted market prices or otherwise determined as provided by financial institutions or fund managers, which approximates fair value. Investments in certificate of deposits are valued at cost plus earned and accrued interest. Investment income and gains and losses are reported as unrestricted unless a specific restriction applies.
- g. Property and equipment and leasehold improvements – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. WING's capitalization threshold is \$1,000 for assets acquired with an economic life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to seven years. Leasehold improvements are amortized over the lesser of the life of the asset or the life of the lease.

WINGS Special Needs Community, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Significant Accounting Policies - Continued

- h. Depreciation expense was \$10,840 and \$8,186 in 2018 and 2017, respectively, a portion of which has been allocated to event center revenues, net in the statement of activities.
- i. Concentrations of credit and operating risk – WINGS maintains cash in bank deposit accounts and certificate of deposits, which, at times, may exceed federally insured limits. As of December 31, 2018 and 2017, WINGS' balances with financial institutions subject to FDIC coverage exceeded such coverage by \$1.309 million and \$111 thousand, respectively. WINGS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such accounts.

WINGS also currently serves young adults primarily in Central Oklahoma. As a result, support of the organization is highly dependent upon the general economic conditions in this area. The risk of near term severe impact on the operations and mission of the organization as a result of this concentration is limited by the diversity of its supporters and donor base.

- j. Income tax status – WINGS 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 a publicly supported organization rather than a private foundation. WINGS is subject to routine audits by taxing authorities, with the Form 990, Return of Organization Exempt from Income Taxes, open for audit for the years ended December 31, 2018, 2017, 2016 and 2015. None of WINGS Federal or state income tax returns are currently under examination by the Internal Revenue Service or the Oklahoma Tax Commission.
- k. Functional allocation of expenses – The costs of providing various programs and other activities have been summarized in the accompanying Statement of Activities. Costs, which are not direct, are allocated between Programs, Fundraising, and Management and General based on evaluations of those costs and the related activities benefitted. Many overhead costs are allocated based upon the square footage of our facility associated with such activity while other costs are based upon management's best estimate of the time and effort devoted to such activity.
- l. Advertising - Advertising costs are expensed as incurred and totaled \$19,835 and \$17,156 for the years ended December 31, 2018 and 2017, respectively.

WINGS Special Needs Community, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Significant Accounting Policies - Continued

- m. Use of estimates – The preparation of the 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.

- n. Recent account pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09 Revenue from Contracts with Customers (ASC 606). This authoritative guidance, as amended, includes a comprehensive new revenue recognition model that requires revenue be recognized in a manner to depict the transfer of goods and services to a customer at the amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has since issued several amendments to this guidance and provided deferrals of the effective date of the standard. The effective date of the amended standard will begin in periods beginning after December 15, 2018 with early adoption permitted. Management does not currently expect the adoption of this new standard to have a material impact on the financial statements of WINGS.

In 2016, FASB issued ASU 2016-02 (Topic 842), Leases. This authoritative guidance, as amended, requires most leases to be recognized on the balance sheet and requires enhanced disclosures. This standard requires entities to account for leases previously classified as operating leases that were not on its Statement of Assets, Liabilities and Net Assets on such Statement, measuring this lease liability and right-to-use asset at its present value of remaining minimum rental payments. The effective date of the amended standard will begin in periods beginning after December 15, 2020. While this guidance will result in a change to the Statement of Assets, Liabilities and Net Assets, management does not currently expect the adoption of this new standard to have a material impact on the Statement of Activities of WINGS.

3. Financial Assets and Liquidity Resources

As of December 31, 2018, WINGS has assets available for general expenditures of \$527,184, with total liabilities of \$43,168. This leaves \$484,016 available for future operations. Further, WINGS has restricted \$300,000 for the first 6 months of 2019 operations, although, cash flows have historically been adequate on a monthly basis to cover operating costs. WINGS designs its fundraising events throughout the year to help ensure revenues are generated on a timely basis to cover operating expenses. As of December 31, 2018, WINGS does not have any debt requiring principal or interest payments. Financial commitments as of the October 31, 2019, consist only of facility rentals through December 31, 2022, requiring annual rental payments of \$79,404.

WINGS Special Needs Community, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Financial Assets and Liquidity Resources - Continued

As WINGS commences the development of its residential community, it is expected that the restricted funds, which as of December 31, 2018 aggregated \$1,509,256, will be adequate to acquire the land acquisition and begin initial infrastructure development. In order to initiate development of the new educational facility, event center and residential community facilities, WINGS intends to launch a capital campaign in 2020-2021. The proceeds from this capital campaign will dictate the timing of the residential community development. Further, it is the intent of the Board of Directors to establish an endowment for the operations of the residential community, both with the existing funds on hand in 2019 and from the capital campaign proceeds. As of October 31, 2019, no financial commitments exist related to the residential community requiring the use of any funds on hand or those from future capital campaigns, other than as it relates to the Real Estate Purchase Contract as discussed in Note 8. Subsequent Events.

4. Lease Commitments

WINGS leases its facility under an operating lease. Total rental expense incurred for the year ended December 31, 2018 and 2017, was \$71,594 and \$76,444, respectively. The minimum lease rental commitments as of December 31, 2018 are \$79,404 for the year ending December 31, 2019, the end of the original lease term. In September 2019, the facility lease was extended for a minimum of three (3) years through December 31, 2022, with two-one year options to extend for an incremental year. The extension provides for minimum lease commitments of \$79,404 for each of the years 2020, 2021 and 2022.

5. Net Assets Restricted by Donors

Net assets restricted by donors represent the following as of December 31:

	2018	2017
Scholarships	\$ 33,300	\$ -
Transportation vehicles	-	20,000
Computer lab	-	2,847
Outdoor	6,647	6,647
Parents organization	9,929	9,589
Hygiene kits	2,000	-
	<u>\$ 51,876</u>	<u>\$ 39,083</u>

WINGS Special Needs Community, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

6. Net Assets Restricted by the Board

In 2018, WINGS received a donation of \$1.5 million. This donation contained no restriction from the donor; however, the funds and earnings thereon were subsequently restricted by the Board of Directors for the purchase of land and infrastructure related to the development of a Residential Community.

In 2018, the Board of Directors also restricted operating funds of \$300,000 representing approximately six months of operating expenses.

7. Retirement Plan

WINGS provides a matching contribution to employee's contribution to an Investment Retirement Account, up to 3% of such employee's contribution. For the year ended December 31, 2018 and 2017, WINGS provided matching contributions of \$9,681 and \$5,595, respectively.

8. Subsequent Events

Management has evaluated subsequent events through October 25, 2019, the date the financial statements were available to be issued. In October 2019, WINGS executed a Real Estate Purchase Contract whereby the organization is acquiring approximately 75 acres for its Residential Community. This transaction is expected to close in early 2020 following the execution of certain precedents to closing, including the rezoning of the property. The purchase price is approximately \$1.3 million plus closing expenses and is intended to be funded from the Board restricted funds existing as of December 31, 2019 of \$1,509,256. In October 2019, the Board also restricted an incremental \$250,000 from existing unrestricted funds for the first six months of 2020 operating expenses, bringing the restricted funds for the first six months of 2020 operating expenses to an aggregate of \$550,000. There were no other subsequent events requiring recognition or disclosure in the accompanying financial statements.