Iron Gate, Inc.

Financial Statements and
Independent Auditor's Report

December 31, 2018 and 2017

Stanfield + O'Dell
CPAs & ADVISORS

Contents

Independent Auditor's Report

Board of Directors
Iron Gate, Inc.

We have audited the accompanying financial statements of Iron Gate Inc., which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2018 and 2017, and the related statements of support, revenue, and expenses – modified cash basis for the years then ended, the related statement of functional expenses – modified cash basis for the year ended December 31, 2018, 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 the modified cash basis of accounting as described in Note A.2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 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 assets, liabilities, and net assets of Iron Gate Inc. as of December 31, 2018 and 2017, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note A.2.

Basis of Accounting

We draw attention to Note A.2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with the respect to this matter.

Emphasis of Matter

As discussed in Note A.2 to the financial statements, in 2018, the organization adopted new accounting guidance affecting financial statement presentation and disclosures for not-for-profit entities. Our opinion is not modified with respect to this matter.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
November 21, 2019

Iron Gate, Inc.

Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis

December 31,

	2018	2017
Assets		
Cash and cash equivalents	$ 5,279,350	$ 3,640,191
Beneficial interest in assets held by Tulsa Community Foundation	51,407	55,800
Pledges receivable, net	1,967,826	2,458,596
Other receivables	1,416	729
Property and equipment, net of accumulated depreciation	1,232,673	48,175
Total assets	$ 8,532,672	$ 6,203,491
Liabilities and net assets		
Liabilities		
Line of credit	$ -	$ -
Net assets		
Without donor restrictions	693,314	476,544
With donor restrictions	7,839,358	5,726,947
Total net assets	8,532,672	6,203,491
Total liabilities and net assets	$ 8,532,672	$ 6,203,491

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

Iron Gate, Inc.

Statement of Support, Revenue, and Expenses - Modified Cash Basis

Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Public support			
Contributions	$ 871,205	$ 2,112,411	$ 2,983,616
Special events	280,608	-	280,608
Release of restrictions	-	-	-
Total public support	1,151,813	2,112,411	3,264,224
Revenue			
Investment income	56,342	-	56,342
Miscellaneous revenue	8,615	-	8,615
Total revenue	64,957	-	64,957
Total public support and revenue	1,216,770	2,112,411	3,329,181
Expenses			
Payroll and related expenses	679,473	-	679,473
Food expenses	142,851	-	142,851
Supplies	55,190	-	55,190
Repairs and maintenance	18,672	-	18,672
Automobile expense	9,145	-	9,145
Professional fees	16,775	-	16,775
Office expense	68,870	-	68,870
Depreciation expense	9,024	-	9,024
Total expenses	1,000,000	-	1,000,000
Change in net assets	216,770	2,112,411	2,329,181
Net assets			
Beginning of year	476,544	5,726,947	6,203,491
End of year	$ 693,314	$ 7,839,358	$ 8,532,672

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

Iron Gate, Inc.

Statement of Support, Revenue, and Expenses - Modified Cash Basis

Year Ended December 31, 2017

	Without donor restrictions	With donor restrictions	Total
Public support			
Contributions	$ 1,110,225	$ 102,825	$ 1,213,050
Special events	278,613	-	278,613
Release of restrictions	57,247	(57,247)	-
Total public support	1,446,085	45,578	1,491,663
Revenue			
Investment income	27,454	-	27,454
Miscellaneous revenue	1,250	-	1,250
Total revenue	28,704	-	28,704
Total public support and revenue	1,474,789	45,578	1,520,367
Expenses			
Payroll and related expenses	815,725	-	815,725
Food expenses	161,794	-	161,794
Supplies	50,914	-	50,914
Repairs and maintenance	18,639	-	18,639
Automobile expense	7,180	-	7,180
Professional fees	16,596	-	16,596
Office expense	101,501	-	101,501
Depreciation expense	10,094	-	10,094
Miscellaneous expense	4,251	-	4,251
Total expenses	1,186,694	-	1,186,694
Change in net assets	288,095	45,578	333,673
Net assets			
Beginning of year	188,449	5,681,369	5,869,818
End of year	$ 476,544	$ 5,726,947	$ 6,203,491

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

Iron Gate, Inc.

Statement of Functional Expense - Modified Cash Basis

Year Ended December 31, 2018

	Meals	Pantry	Kids packs	Total program expenses	Management & general	Fundraising	Total expenses
Payroll and related expenses	$ 402,932	$ 129,896	$ 4,768	$ 537,596	$ 78,065	$ 63,812	$ 679,473
Food expenses	99,039	34,535	9,277	142,851	-	-	142,851
Supplies	38,633	16,557	-	55,190	-	-	55,190
Repairs and maintenance	13,070	5,602	-	18,672	-	-	18,672
Automobile expense	2,286	6,859	-	9,145	-	-	9,145
Professional Fees	-	-	-	-	16,775	-	16,775
Office expense	19,416	7,773	550	27,739	19,726	21,405	68,870
Total expenses before depreciation	575,376	201,222	14,595	791,193	114,566	85,217	990,976
Depreciation	5,414	2,707	-	8,121	903	-	9,024
Total expenses	$ 580,790	$ 203,929	$ 14,595	$ 799,314	$ 115,469	$ 85,217	$ 1,000,000

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

Note A – Description of Organization and Summary of Significant Accounting Policies

1. *Description of Organization*

Iron Gate, Inc. (the Organization), formerly known as The Iron Gate Trust, was established to serve the charitable needs of the Tulsa community insofar as they relate to services to the underprivileged, such as providing food to such persons.

On April 21, 2003, the Trustees of The Iron Gate Trust voted to change the Trust's name to Iron Gate, Inc. and to incorporate the organization. The Organization was incorporated on April 14, 2005, and the Trust was terminated on December 8, 2006.

2. *Basis of Accounting*

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, certain revenue and related assets are recorded when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. In addition, in-kind donations are not recognized in these modified cash basis financial statements. Modifications to the cash basis of accounting include recording depreciation on property and equipment, recording promises to give (pledges receivable), and presenting the beneficial interest held by Tulsa Community Foundation at fair value.

On August 18, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation and disclosure in these financial statements to conform with ASU 2016-14 to the extent considered relevant to its modified cash basis financial statements. The ASU has been applied retrospectively to all periods presented. The Organization has elected, as permitted by the ASU in the initial year of application, to present the statement of functional expenses only for the year ended December 31, 2018.

3. *Basis of Presentation*

Net assets and revenues, expenses, and gain and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as nets assets released from restrictions.

Note A – Description of Organization and Summary of Significant Accounting Policies – Continued

4. *Property and Equipment*

Property and equipment are recorded at cost at the date of acquisition, less accumulated depreciation. Depreciation of furniture and equipment is generally computed using the straight-line method over useful lives, which is seven years for both. Maintenance, minor repairs, and replacements which do not improve or extend the lives of the respective assets are expensed as incurred. Major renewals and betterments are capitalized as property and equipment. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $500.

The Organization records impairments to its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Organization based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2018 or 2017.

5. *Contributions*

The Organization records contributions and grants when they are received or promised. Funds restricted by donors, grantors, or other outside parties for specific operating purposes or property acquisitions are recognized as revenue in the appropriate fund upon the Organization's compliance with the specific restrictions.

6. *Significant Concentrations of Credit Risk*

The Organization maintains deposits in a financial institution that, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization believes that there is no significant risk with respect to these deposits.

7. *Functional Expenses*

The costs associated with conducting the Organization's programs and activities in the accompanying statement of activities - modified cash basis, for the year ended December 31, 2017, have been summarized on a functional basis as follows: program, administrative, and fundraising expenses were approximately 62 percent, 14 percent and 24 percent of total expenses, respectively. Expenses for the year ended December 31, 2018 are presented in their natural categories by function in the statement of functional expenses - modified cash basis. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include office expense, including occupancy, which are allocated based on use or square footage; as well as salaries and benefits, which are allocated on the basis of estimates of time and effort or employee count.

Note A – Description of Organization and Summary of Significant Accounting Policies – Continued

8. *Use of Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reporting period. Actual results could differ from those estimates.

9. *Income Taxes*

The Organization is exempt from federal and state income taxes under the Internal Revenue Code Section 501(c)(3). Therefore, no provision for income taxes is reflected in the accompanying financial statements.

The Organization files information returns in the United States. The tax years prior to 2015 generally are not subject to examination by the U.S. Federal and most state tax authorities.

10. *Subsequent Events*

The Organization has evaluated subsequent events through November 21, 2019, the date on which the financial statements were available to be issued. Subsequent to year-end, as described in Note J, there commenced a land lease with the City of Tulsa and, as described in Note E, the Organization then opened a new facility.

Note B – Beneficial Interest in Assets Held by Tulsa Community Foundation

The Organization maintains funds with Tulsa Community Foundation (the Foundation) for the benefit of the Organization.

In 2003, the Organization transferred funds to the Foundation, and the Foundation has variance power with respect to these funds. Distributions from the Foundation are made in accordance with the spending policy of the Foundation's Board of Trustees. The beneficial interest in assets held by others consists of funds contributed by the Organization and the earnings thereon, net of distributions received.

The Organization reports the fair value of the fund as beneficial interest in assets held at the Foundation in the statement of financial position – modified cash basis and reports distributions received as investment income. Changes in the value of the fund are reported as gains or losses in the statement of activities – modified cash basis. The Organization applies FASB ASC 820 – *Fair Value Measurement* for its financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

At December 31, 2018 and 2017, the Organization has $51,407 and $55,800, respectively of beneficial interest in assets held by others, which are Level 2 assets under the FASB ASC 820.

Note C – Pledges Receivable

Unconditional promises to give are recorded as receivables and revenue when received. The current value of the future payments of pledges receivable consists of the following at December 31:

	2018	2017
Capital Campaign pledges receivable	$ 2,002,144	$ 2,500,000
Less unamortized discount	(34,318)	(41,404)
Net pledges receivable	$ 1,967,826	$ 2,458,596
Amount due in:		
Less than one year	$ 1,452,144	$ 1,166,667
One to five years	550,000	1,333,333
Total	$ 2,002,144	$ 2,500,000

To accurately represent the current value of the future payments, the Organization uses a 3 percent discount rate on all pledges receivable. The Organization considers all pledges receivable fully collectible and no allowance for uncollectible accounts is considered necessary.

In addition, at December 31, 2018 and 2017, the Organization held conditional gifts in the approximate amount of $820,000 and $2,450,000, respectively for the Capital Campaign, conditioned upon the Organization achieving certain fundraising and project goals. Accordingly, the revenues associated with these conditional gifts have not been included in the accompanying financial statements because the conditions have not yet been satisfied as of December 31, 2018 or 2017. In 2018, the Organization satisfied donor-imposed conditions of two grants totaling $1,500,000 at the ground breaking of the new facility.

Note D – Property and Equipment

Property and equipment consists of the following at December 31:

	2018	2017
Construction in progress (Note I)	$ 1,193,453	$ -
Building improvements	30,041	30,041
Furniture and fixtures	37,930	37,930
Vehicles	30,654	30,654
Equipment	57,472	57,403
	1,349,550	156,028
Less: Accumulated depreciation	(116,877)	(107,853)
	$ 1,232,673	$ 48,175

Note E – Related Party Transactions

Through August 2019, the Organization's programs and administrative offices were entirely operated in facilities donated by Trinity Episcopal Church of Tulsa, Inc. (the Church). The Organization receives both monetary and in-kind support from the Church. However, in-kind donations are not recognized by the Organization for financial statement purposes. In addition to being a donor, the Organization paid the Church approximately $43,000 and $33,000 in expenses in 2018 and 2017, respectively.

In August 2019, the Organization opened its new facility on Archer Street, and all programs and administrative offices are now operated at that site.

Note F – In-Kind Donations

The Organization receives in-kind donations and related expenses, on an ongoing basis, consisting of donated food, labor, Trinity facilities, clothing and administration, and marketing. These in-kind donations and expenses are not recognized in the Organization's modified cash basis financial statements. If the in-kind donations and related offsetting expenses were recorded, they would have no effect on the change in net assets.

Note G – Line of Credit

The Organization has $100,000 available on a line of credit with Simmons Bank, previously Bank SNB. As of December 31, 2018 and 2017, the line of credit had no balance. Initial interest on the advanced balance is 6.23 and 5.84 percent, respectively. Interest paid during 2018 and 2017 was $0 and $1,763, respectively. The line of credit matures on April 18, 2020.

Note H – Fair Value Disclosures

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (1) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis.

Note H – Fair Value Disclosures - Continued

The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs).

Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, a fair value hierarchy must be established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in 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 (for example, interest rates, volatiles, prepayment speeds, loss severities, credit risks, and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note H – Fair Value Disclosures - Continued

	Fair value measurements at December 31, 2018		
	Level 1	*Level 2*	*Level 3*
Beneficial interest in assets held at Tulsa Community Foundation	$ -	$ 51,407	$ -

	Fair Value Measurements at December 31, 2017		
	Level 1	*Level 2*	*Level 3*
Beneficial interest in assets held at Tulsa Community Foundation	$ -	$ 55,800	$ -

Beneficial interest in assets held by Tulsa Community Foundation – these consist of the Organization's portion of the Tulsa Community Foundation funds, which are invested in various mutual funds. These mutual funds are valued at the closing price reported on the active market.

Note I – Net Assets

Net assets with donor restrictions consisted of the following at December 31:

	2018	2017
Capital campaign	$ 7,827,545	$ 5,715,134
Other programs	11,813	11,813
	$ 7,839,358	$ 5,726,947

In order to better serve Iron Gate's guests, the Organization's board initiated a capital campaign to raise funds to build a facility. Iron Gate has outgrown its current space in Trinity Episcopal Church. There is not enough capacity in the dining room to accommodate guests or enough storage space for food. The new facility is approximately 16,000 square feet to accommodate a dining room, commercial kitchen, grocery pantry, storage pantry, bathrooms, and offices with parking to accommodate 60 cars.

Release of restrictions in the year ended December 31, 2017, consisted of expenses that satisfied donor-imposed restrictions for the capital campaign.

Note J – Land Lease

In March 2018, the Organization entered into a 99-year ground lease agreement with the City of Tulsa. Under the lease agreement, the Organization will pay the City of Tulsa a total of $600,000, paid in two installments of $300,000 each, with the first installment due upon the commencement date, and the second installment due within the first anniversary of the commencement date, with no additional payments thereafter. The land provided in the lease will be the site for Iron's Gate new facility (see Note I). In April 2019, the Organization and the City commenced the land lease and the first installment was paid.

Note K – Liquidity and Availability

The Organization 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. Net assets with donor restrictions by donors, except those restricted for future capital projects, are restricted by purpose and are considered available for next period.

The Organization 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. The Organization has a liquidity target to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve this target, the entity forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. During the years ended December 31, 2017 and 2018, the level of liquidity and reserves was managed within the Organization’s goals.

	2018	2017
Cash and cash equivalents	$ 5,279,350	$ 3,640,191
Pledges receivable	1,967,826	2,458,596
Other receivables	1,416	729
Restricted by donors for future capital projects	(6,634,092)	(5,715,134)
Financial assets available to meet cash needs for general expenditures within one year	$ 614,500	$ 384,382

As of December 31, 2018, net assets with donor restrictions included $1,193,453 of construction in progress. The donor-imposed restriction will be released when the fixed asset is placed in service. The amount has already been expended and therefore is excluded from the reduction in financial assets available to meet cash needs for general expenditures within one year. There was no such construction in progress as of December 31, 2017.