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**PIVOT, INC.**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Pivot, Inc.  
Oklahoma City, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of PIVOT, INC., which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Pivot, Inc. as of June 30, 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.

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Oklahoma Juvenile Affairs, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 on our consideration of Pivot, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pivot, Inc.'s internal control over financial reporting and compliance.

*Engelbach Roberts & Co. PLLC*

Certified Public Accountants

Oklahoma City, Oklahoma  
December 11, 2018

PIVOT, INC.  
STATEMENT OF FINANCIAL POSITION

	June 30,	
<u>ASSETS</u>	2018	2017
Current assets:		
Cash (including interest-bearing accounts of \$53,148 and \$173,073)	\$ 370,775	\$ 239,755
Accounts receivable, net of allowance for doubtful accounts of \$5,810	327,767	215,845
Accounts receivable - United Way	58,500	58,500
Prepaid expenses	96,597	86,636
Beneficial interest in assets held by others (Note 3)	533,240	526,139
Land, buildings, and equipment, net of accumulated depreciation of \$1,817,730 and \$1,687,239 (Note 4)	2,269,996	2,357,575
Total assets	\$ 3,656,875	\$ 3,484,450
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 97,131	\$ 51,431
Accrued liabilities	80,739	85,044
Total liabilities	177,870	136,475
Net assets:		
Unrestricted	2,662,997	2,763,336
Temporarily restricted (Note 6)	282,768	58,500
Permanently restricted (Note 6)	533,240	526,139
Total net assets	3,479,005	3,347,975
Total liabilities and net assets	\$ 3,656,875	\$ 3,484,450

See notes to financial statements.

PIVOT, INC.  
STATEMENT OF ACTIVITIES  
 June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains, and other support:				
United Way	\$	\$ 58,500	\$	\$ 58,500
Public donations	210,004	5,380		215,384
Foundation grants	231,691	384,345		616,036
In-kind donations	56,917			56,917
Special event income, net of expenses of \$33,811	104,065			104,065
State and City grants and contracts	2,192,252			2,192,252
Federal programs	19,248			19,248
Rental income	47,000			47,000
Program service fees	1,482			1,482
Miscellaneous income	50,636			50,636
Investment income	145		7,101	7,246
Total revenue	<u>2,913,440</u>	<u>448,225</u>	<u>7,101</u>	<u>3,368,766</u>
Net assets released from restriction	<u>223,957</u>	<u>(223,957)</u>		
Total revenue, gains, and other support	<u>3,137,397</u>	<u>224,268</u>	<u>7,101</u>	<u>3,368,766</u>
Expenses:				
Program services	2,667,376			2,667,376
Management and general	417,612			417,612
Fundraising	152,748			152,748
Total expenses	<u>3,237,736</u>			<u>3,237,736</u>
Increase (decrease) in net assets	(100,339)	224,268	7,101	131,030
Net assets at beginning of year	<u>2,763,336</u>	<u>58,500</u>	<u>526,139</u>	<u>3,347,975</u>
Net assets at end of year	<u>\$ 2,662,997</u>	<u>\$ 282,768</u>	<u>\$ 533,240</u>	<u>\$ 3,479,005</u>

See notes to financial statements.

PIVOT, INC.  
STATEMENT OF ACTIVITIES  
 June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains, and other support:				
United Way	\$ 50,000	\$ 58,500	\$	\$ 108,500
Public donations	181,513			181,513
Foundation grants	98,648			98,648
In-kind donations	74,866			74,866
Special event income, net of expenses of \$54,839	117,972			117,972
State and City grants and contracts	2,025,324			2,025,324
Federal programs	40,623			40,623
Rental income	46,017			46,017
Program service fees	675			675
Miscellaneous income	3,898			3,898
Investment income	1,124		26,451	27,575
Total revenue	<u>2,640,660</u>	<u>58,500</u>	<u>26,451</u>	<u>2,725,611</u>
Net assets released from restriction	<u>60,000</u>	<u>(60,000)</u>		
Total revenue, gains, and other support	<u>2,700,660</u>	<u>(1,500)</u>	<u>26,451</u>	<u>2,725,611</u>
Expenses:				
Program services	2,455,771			2,455,771
Management and general	395,155			395,155
Fundraising	144,857			144,857
Total expenses	<u>2,995,783</u>			<u>2,995,783</u>
Increase (decrease) in net assets	(295,123)	(1,500)	26,451	(270,172)
Net assets at beginning of year	<u>3,058,459</u>	<u>60,000</u>	<u>499,688</u>	<u>3,618,147</u>
Net assets at end of year	<u>\$ 2,763,336</u>	<u>\$ 58,500</u>	<u>\$ 526,139</u>	<u>\$ 3,347,975</u>

See notes to financial statements.

PIVOT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2018

	Program Services						Total
	Therapeutic Care	CIC	Shelter	SKIL	Management and General	Fundraising	
Salaries	\$ 497,626	\$ 401,808	\$ 393,535	\$ 189,410	\$ 1,482,379	\$ 80,973	\$ 1,761,498
Employee benefits	43,691	44,556	51,020	16,149	155,416	12,967	210,123
Payroll taxes	37,238	31,842	29,440	14,202	112,722	5,978	134,705
Total salaries and related expenses	578,555	478,206	473,995	219,761	1,750,517	99,918	2,106,326
Professional fees	279,711	11,200	13,853	4,358	309,122	5,949	336,676
Client assistance and activities	15,990	573	9,559	23,144	49,266	50	49,316
Supplies and food	7,058	5,218	8,206	3,438	23,920	2,966	93,437
Computer and software expenses	58,702	4,279	4,395	1,884	69,260	13,773	87,700
Equipment rental and maintenance	8,095	8,329	4,398	3,890	24,712	2,252	31,134
Occupancy	34,038	40,368	65,126	11,468	151,000	9,954	185,601
Client transportation and mileage	38,793				38,793		38,793
Auto expenses	5,183	4,270	7,924	2,852	20,229	903	24,177
Conferences, conventions, and meetings	3,738	87	114	31	3,970	637	8,231
Office supplies	2,178	3,582	1,181	809	7,750	5,415	15,469
Memberships and dues	1,941	2,403	2,344	914	7,602	1,288	16,169
Reference materials	130	133	137	70	470	49	586
Insurance	12,178	14,877	15,567	5,991	48,613	3,483	60,262
Training	18,112	575	2,143	319	21,149		21,149
Advertising	672	713	662	391	2,438	657	3,778
Communications	4,392	3,845	1,589	1,430	11,256	936	14,951
Miscellaneous expenses	1,305	1,355	2,240	196	5,096	1,676	12,423
Bank and transaction fees	284	166	349	39	838	43	1,067
Total expenses before depreciation	1,071,055	580,179	613,782	280,985	2,546,001	149,899	3,107,245
Depreciation of furniture, fixtures and equipment	40,948	32,954	31,649	15,824	121,375	2,849	130,491
	\$ 1,112,003	\$ 613,133	\$ 645,431	\$ 296,809	\$ 2,667,376	\$ 152,748	\$ 3,237,736

See notes to financial statements.

PIVOT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2017

	Therapeutic Care	Program Services						Management and General	Fundraising	Total
		CIC	First Time Offender	Shelter	SKIL	Total	and General			
Salaries	\$ 366,886	\$ 441,332	\$ 90,618	\$ 394,706	\$ 154,715	\$ 1,448,257	\$ 229,091	\$ 55,485	\$ 1,732,833	
Employee benefits	29,099	51,714	3,033	56,313	13,326	153,485	32,112	663	186,260	
Payroll taxes	28,044	32,618	6,587	29,791	12,671	109,711	18,746	4,457	132,914	
Total salaries and related expenses	424,029	525,664	100,238	480,810	180,712	1,711,453	279,949	60,605	2,052,007	
Professional fees	180,007	15,755	3,007	17,900	5,337	222,006	28,842	35,023	285,871	
Client assistance and activities	5,467			3,160	16,220	24,847			24,847	
Supplies and food	3,971	1,448	951	17,625	47,234	71,229	1,787	11,600	84,616	
Computer and software expenses	2,467	104	364	64	64	3,063	6,065	6,741	15,869	
Equipment rental and maintenance	5,730	7,255	1,858	970	1,710	17,523	2,669	1,715	21,907	
Occupancy	25,117	39,793	11,901	57,261	15,219	149,291	26,765	8,260	184,316	
Client transportation and mileage	30,255	208			16	30,479	846		31,325	
Auto expenses	2,741	99	396	2,147	1,012	6,395	872	271	7,538	
Conferences, conventions, and meetings	303	240	13	74	40	670	1,182	1,152	3,004	
Office supplies	3,516	3,353	436	1,860	1,501	10,666	6,031	2,270	18,967	
Memberships and dues	2,630	3,068	146	3,068	1,023	9,935	2,046	1,607	13,588	
Reference materials	157	204	126	190	133	810	164	261	1,235	
Insurance	9,935	16,769	2,960	14,193	5,305	49,162	8,616	2,315	60,093	
Advertising								8,142	8,142	
Communications	4,183	3,804	1,032	517	1,072	10,608	4,027	1,641	16,276	
Miscellaneous expenses	1,561	452	1	1,641	1,714	5,369	14,326	1,363	21,058	
Bank and transaction fees		116				116	2,773		2,889	
Total expenses before depreciation	702,069	618,332	123,429	601,480	278,312	2,323,622	386,960	142,966	2,853,548	
Depreciation of furniture, fixtures and equipment	33,037	40,941	7,904	35,882	14,385	132,149	8,195	1,891	142,235	
	\$ 735,106	\$ 659,273	\$ 131,333	\$ 637,362	\$ 292,697	\$ 2,455,771	\$ 395,155	\$ 144,857	\$ 2,995,783	

See notes to financial statements.



PIVOT, INC.  
STATEMENT OF CASH FLOWS

	June 30,	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from donors and foundations	\$ 859,916	\$ 425,366
Cash received from governmental agencies	2,152,533	2,096,000
Cash received from special events	104,065	116,040
Cash received from rental income	24,050	46,017
Cash received from miscellaneous income	52,015	3,898
Cash received from program service fees	1,482	675
Investment income	145	1,124
Cash paid to employees and suppliers	<u>(3,020,274)</u>	<u>(2,938,726)</u>
Net cash provided (used) by operating activities	<u>173,932</u>	<u>(249,606)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(42,912)</u>	<u>(45,377)</u>
Net cash provided (used) by investing activities	<u>(42,912)</u>	<u>(45,377)</u>
Net increase (decrease) in cash	131,020	(294,983)
Cash at beginning of year	<u>239,755</u>	<u>534,738</u>
Cash at end of year	<u>\$ 370,775</u>	<u>\$ 239,755</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 131,030	\$ (270,172)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	130,491	142,235
Market adjustment	(7,101)	(26,451)
(Increase) decrease in accounts receivable	(111,922)	66,756
(Increase) decrease in prepaid expenses	(9,961)	(41,808)
Increase (decrease) in accounts payable and accrued expenses	<u>41,395</u>	<u>(120,166)</u>
Net cash provided (used) by operating activities	<u>\$ 173,932</u>	<u>\$ (249,606)</u>
Supplemental schedule of noncash operating activities:		
In-kind donations	<u>\$ 56,917</u>	<u>\$ 74,866</u>

See notes to financial statements.

PIVOT, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2018 and 2017

1. Summary of Significant Accounting Policies

Organization - Pivot, Inc. (Pivot) was formed in 1972 to serve the needs of youth in Oklahoma County, Oklahoma. Since 1988, Pivot has been qualified as a Designated Youth Services Agency as defined by the Oklahoma State Statute. Because of this designation, Pivot has entered into contracts to provide community-based youth services programs, shelters and community intervention centers as well as community-based prevention and diversionary youth services programs. For the years ended June 30, 2018 and 2017, Pivot received \$1,530,817 and \$1,432,529 from the State of Oklahoma Office of Juvenile Affairs, \$502,965 and \$480,562 from the City of Oklahoma City and \$177,719 and \$152,856 from all other sources.

Description of Programs

Counseling - Pivot counseling services provide support for youth and families as they navigate the often turbulent waters of growing up in the world today. Our licensed therapists address a variety of issues including:

- Abuse and trauma
- Depression and anxiety
- Grief
- Substance abuse
- Criminal behavior

Supporting Kids in Independent Living (SKIL) - Young people living on their own without parental support are at great risk of being presented with a number of difficult obstacles to overcome. Staff provide a comprehensive array of services ensuring young people have access to resources in the areas of:

- Safe and stable housing
- Education and post secondary education
- Employment skills and readiness
- Life skills training and practice
- Positive, supportive relationships

PIVOT, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
For the Years Ended June 30, 2018 and 2017

Family Junction Emergency Youth Shelter - For a variety of reasons, there are young people in our community who need a safe and secure temporary place to stay. Our 24-hour facility has space for up to 18 youth between the ages of 12 and 17. Whether in DHS custody, living on their own without parental support, or having run away from home, the youth who stay with Pivot receive:

- Clean, warm beds and nutritious meals
- Counseling and emotional support
- Treatment for health issues
- Ability to attend school and get tutoring
- Life skills training and practice
- Recreational and socialization activities

Skills Education Program (SEP) - When bad decisions result in consequences such as getting into trouble with the law, it negatively impacts the youth and their families. Everyone deserves a chance to learn from their mistakes and that is exactly what the SEP provides for young people and their parents. The program is a 16-hour program where parents and youth learn conflict resolution, positive communication, and problem solving skills. The curriculum enables parents and youth to develop skills in the areas of:

- Communication
- Anger management
- Conflict resolution
- Problem-solving
- Decision-making

Juvenile Re-Entry for Oklahoma County (JROC) Program - Re-entry services are designed to assist young people and their families with adjusting to life after time in a detention or other secure residential facility. The services enable our clients to resolve issues that led them to be in placement in the first place. Each JROC client is supported by a network of dedicated staff that provide:

- Intensive counseling
- Life skills training and practice
- Mentoring
- Crisis intervention
- Positive, supportive relationships

PIVOT, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
For the Years Ended June 30, 2018 and 2017

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Community Intervention Center (CIC) - Community Intervention Center is a 24-hour intervention program for young people who have committed a misdemeanor or status offense. Our partnership with the City of Oklahoma City and surrounding law enforcement agencies allows officers to get back to the community sooner and provides a youth-appropriate, safe environment and consequence for young people. The CIC provides:

- Youth appropriate intake process
- Safe 24-hour intervention facility
- Identification of and connection to resources for the youth and families to address and resolve issues that resulted in the arrest, and any other needs the youth and families have

Education and employment are absolutely necessary to give adolescents their best chance to successfully transition into adulthood. Across all programs at Pivot, part of each young person's experience includes the opportunity to:

- Graduate from high school
- Apply for college or vocational school
- Apply for financial aid for school
- Build job and job search skills
- Achieve employment readiness
- Maintain employment
- Gain vital life skills

Financial Statement Presentation - The financial statements for Pivot are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for not-for-profit organizations. The Organization reports information regarding its financial position and changes in net assets according to three classes of net assets based on the existence or absence of donor-imposed restrictions, as follows: unrestricted net assets consist of expendable amounts available to support the operations and objectives of Pivot; temporarily restricted net assets consist of amounts which have been temporarily restricted by donors for specific purpose or time periods; and permanently restricted net assets consist of amounts required to be maintained in perpetuity by Pivot, with income generated by such amounts available to support operations and objectives.

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Years Ended June 30, 2018 and 2017

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence and/or nature of any donor restrictions. Pivot reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets with restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue. The expiration of donor restrictions is reported ratably over the useful life of the related long-lived assets through an implied time restriction.

Property and Equipment - Property and equipment purchased by Pivot with a cost of more than \$500 and a useful life of at least three years are recorded at cost. Donated assets are recorded at the estimated fair market value at date of gift. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Functional Expense Allocation - The costs of providing the various programs and other activities have been summarized on the functional basis in the statement of functional expenses. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited according to formulas developed by management to, in its judgment, reflect actual costs and efforts expended on each program or supporting service.

Cash and Cash Equivalents - For purposes of presentation on the statement of cash flows, Pivot considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The fair value of cash and cash equivalents is estimated by management to approximate carrying value due at the initial maturities of instruments being three months or less.

In-Kind Contributions - Pivot receives numerous in-kind contributions relating to its fundraising event and various programs. These contributions are recorded at fair value when received.

Donated Services - Contributions of services are recognized when the services received require specialized skills or enhance non-financial assets. Contributions of services are recorded at fair value when received.

PIVOT, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

For the Years Ended June 30, 2018 and 2017

Accrued Personal Leave - Employees' rights to receive compensation for future absences are recognized in the period such rights are earned. A maximum of 20 days may be carried over to the next calendar year. Any amount in excess of 20 days will be forfeited. The balance of accrued personal leave included in accrued expenses at June 30, 2018 and 2017 is \$80,739 and \$83,958.

Income Tax Status - Pivot is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation under Section 509(a)(2). Therefore, no provision has been made in the accompanying financial statements for income taxes.

Pivot evaluates and accounts for their uncertain tax positions, if any, in accordance with U.S. generally accepted accounting principles, including the Organization's tax position as a tax-exempt not-for-profit entity. Through the Organization's evaluation of its uncertain tax positions, management has determined no uncertain tax positions exist as of June 30, 2018 and 2017, which would require the Organization to record a liability for the uncertain tax positions in its financial statements. The Organization's Form 990 filings for the years ended before June 30, 2015 are no longer subject to examination by taxing authorities.

Date of Management Evaluation - Management has evaluated subsequent events through December 11, 2018, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

2. Fees and Grants from Governmental Agencies

Pivot has entered into contracts with governmental agencies to provide services on a fee basis. The following is a schedule of these contracts and their provisions:

<u>Agency</u>	<u>Term</u>	<u>Maximum Amount</u>	<u>2018 Income</u>
State of Oklahoma Office of Juvenile Affairs:			
To establish and maintain community based prevention and diversionary youth services programs	July 1, 2016 to June 30, 2017	\$1,473,305	\$40,720
	July 1, 2017 to June 30, 2018	\$1,490,097	1,490,097
Putnam City Public Schools:			
To provide independent consultant and youth services	August 21, 2017 to June 30, 2018	\$25,000	24,242

PIVOT, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
For the Years Ended June 30, 2018 and 2017

Agency	Term	Maximum Amount	2018 Income
To provide truancy interventions and support services	August 21, 2017 to June 30, 2018	\$25,000	14,000
City of Oklahoma City: To establish and maintain the Community Intervention Center	July 1, 2017 to June 30, 2018	\$490,965	490,965
To undertake and provide transition and independent living, skill building resources and counseling services	July 1, 2017 to June 30, 2018	\$12,000	12,000
Oklahoma City Public Schools: To provide independent consultant and youth services	July 1, 2017 to June 30, 2018	\$8,000	8,000
Oklahoma County: To provide independent consultant and youth services	July 1, 2017 to June 30, 2018	\$24,000	24,000
U.S. Department of Agriculture: To administer school lunch program	July 1, 2017 to June 30, 2018	N/A	11,236
Oklahoma Association of Youth Services: To administer the prevention and enhancement program	July 1, 2017 to June 30, 2018	\$360	360
Oklahoma Health Care Authority: Title XIX Medicaid medical services to youth	July 1, 2017 to June 30, 2018	N/A	87,868
Emergency Food and Shelter Board of Oklahoma: To provide emergency food and shelter Phase 34	October 1, 2016 to January 31, 2018	\$8,012	<u>8,012</u>
			<u><u>\$2,211,500</u></u>

PIVOT, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

For the Years Ended June 30, 2018 and 2017

3. Funds Held in Trust By Others

Endowment Fund Held By Oklahoma City Community Foundation - Pivot is the beneficiary of a designated agency endowment fund held by the Oklahoma City Community Foundation, Inc. (OCCF) with a market value of \$221,145 and \$216,390 at June 30, 2018 and 2017. The endowment was established with funds contributed by both the Organization and other third-party donors. Under the terms of OCCF's designated fund policies, OCCF has variance power over the assets, and only that portion of the assets contributed by the Organization together with earnings thereon, is considered to represent the present value of future distributions expected to be made to Pivot. Of the total fund balance at June 30, 2018 and 2017, \$86,299 and \$84,444 represent contributions and accumulated earnings by the Organization and are included as assets in the accompanying statement of financial position. Assets contributed by third party donors, totaling \$134,846 and \$131,946 at June 30, 2018 and 2017 are not reported in the Organization's financial statements.

Endowment Fund Held By The Communities Foundation of Oklahoma - Pivot is the beneficiary of a designated agency endowment fund held by the Communities Foundation of Oklahoma (CFO) earmarked for the Supporting Kids in Independent Living (SKIL) program. Under the terms of CFO's designated fund policies, CFO has variance power over the assets, and only that portion of the assets contributed by the Organization together with earnings thereon, is considered to represent the present value of future distributions expected to be made to Pivot. At June 30, 2018 and 2017, the fair value of the Pivot SKIL Endowment Fund is \$466,216 and \$460,741. Of the total fund balance, \$446,941 and \$441,695 represents contributions and accumulated earnings by the Organization and are included as assets in the accompanying statement of financial position. Assets contributed by third party donors, totaling \$19,275 and \$19,046 are not reported in the Organization's financial statements.



PIVOT, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
For the Years Ended June 30, 2018 and 2017

4. Land, Building and Equipment

At June 30, 2018 and 2017, the cost of property and equipment was as follows:

	2018	2017
Land	\$491,998	\$491,998
Buildings and improvements - main office	677,994	662,363
Buildings and improvements - Family Junction	2,172,112	2,172,112
Furniture, fixtures and equipment	638,393	611,112
Vehicles	107,229	107,229
	4,087,726	4,044,814
Less accumulated depreciation	1,817,730	1,687,239
	\$2,269,996	\$2,357,575

Depreciation expense for the year ended June 30, 2018 and 2017 was \$130,491 and \$142,235.

5. Employee Benefit Plan

Pivot revised its retirement plan effective July 1, 1997. The former money purchase plan for eligible employees was terminated and replaced with a 401(K) plan. Employees are eligible to participate in the plan after both attaining age 21 and completing 1,000 hours of service during the plan year. The plan was amended in 2009 to change the eligibility requirement for employer contributions to qualified employees who are employed on the last day of the plan year. The plan allows for employee self-direction of investments and has two plan entrance dates during the year. Pivot is not required to make an annual contribution. Retirement contributions applicable to the year ended June 30, 2017 totaled \$703 which are payable subsequent to year-end.

6. Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

United Way, future funding	\$58,500
Program services	224,268
	\$282,768

PIVOT, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
For the Years Ended June 30, 2018 and 2017

Permanently restricted net assets are restricted to:  
Beneficial interest held by others, income from  
which is expendable to support program \$533,240

7. Fair Value of Financial Instruments

The Organization discloses the estimated fair value for all financial instruments in conformity with U.S. generally accepted accounting principles (GAAP). The fair values reported below for financial instruments were based on a variety of factors. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of June 30, 2018, or that will be realized in the future.

GAAP establishes the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. This hierarchy consists of three broad levels: Level 1 - Quoted Prices in Active Markets for Identical Assets, Level 2 - Significant Other Observable Inputs, and Level 3 - Significant Unobservable Inputs. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities.

*Fair Value Measured on a Recurring Basis*

The Organization's financial instruments at June 30, 2018 were as follows:

	<u>Fair Value/ Estimated Market Value and Carrying Amount</u>
Cash and cash equivalents	\$370,775
Assets held by others (Community Foundations)	\$533,240

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Organization's financial assets and financial liabilities carried at fair value.

The carrying amount of cash and cash equivalents approximates fair value because of their short maturity and is measured using Level 1 inputs.

NOTES TO FINANCIAL STATEMENTS

(Continued)

For the Years Ended June 30, 2018 and 2017

The assets held by the Community Foundations are funds that are pooled with other funds held by the Foundations and invested in various investment accounts. The value of the Organization's investment is equal to the principal amount plus earnings net of distributions and is measured using Level 2 inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements, as well as the general classification of such assets pursuant to the valuation hierarchy.

	<u>Fair Value</u>	<u>Fair Value Level</u>
<u>June 30, 2018:</u>		
Money market funds	\$370,775	(1)
Assets held by others	<u>533,240</u>	(2)
	<u><u>\$904,015</u></u>	
	<u>Fair Value</u>	<u>Fair Value Level</u>
<u>June 30, 2017:</u>		
Money market funds	\$239,755	(1)
Assets held by others	<u>526,139</u>	(2)
	<u><u>\$765,894</u></u>	

SUPPLEMENTARY FINANCIAL INFORMATION

PIVOT, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Term</u>	<u>Maximum Amount</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>					
Passed through Oklahoma State Department of Human Services:					
National School Lunch Program	July 1, 2017 to June 30, 2018	\$ 11,236	10.555		\$ 11,236
<u>Department of Homeland Security</u>					
Direct Program:					
Emergency Food and Shelter Program: Phase 34	October 1, 2016 to January 31, 2018	\$ 8,012	97.024		<u>8,012</u>
					<u>\$ 19,248</u>

The accompanying notes are an integral part of this schedule.

PIVOT, INC.  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 For the Year Ended June 30, 2018

<u>State Grantor/Pass-through Grantor/Program Title</u>	<u>Term</u>	<u>Maximum Amount</u>	<u>Revenue Received</u>	<u>Expenditures</u>
<u>Office of Juvenile Affairs:</u>				
Communities At Risk Services	July 1, 2016 to June 30, 2017	\$ 1,473,305	\$ 40,720	\$ 40,720
Communities At Risk Services	July 1, 2017 to	\$ 1,490,097	591,930	591,930
Emergency Shelter	June 30, 2018		517,829	517,829
Community Based Youth Services Outreach			278,831	278,831
Shelter Division			101,067	101,067
Skills Education Program			440	440
			<u>1,530,817</u>	<u>1,530,817</u>
<u>Oklahoma Health Care Authority:</u>				
Title XIX	July 1, 2017 to June 30, 2018	N/A	87,868	87,868
<u>Oklahoma County:</u>				
Supporting Kids in Independent Living	July 1, 2017 to June 30, 2018	\$ 24,000	24,000	24,000
<u>Oklahoma City Public Schools:</u>				
Supporting Kids in Independent Living	July 1, 2017 to June 30, 2018	\$ 8,000	8,000	8,000
<u>Putnam City Public Schools:</u>				
Supporting Kids in Independent Living	August 21, 2017 to June 30, 2018	\$ 25,000	24,242	24,242
Truancy Intervention	August 21, 2017 to June 30, 2018	\$ 25,000	14,000	14,000
<u>Oklahoma Association of Youth Services:</u>				
Prevention and Relationship Enhancement Program	July 1, 2017 to June 30, 2018	N/A	360	360
<u>City of Oklahoma City:</u>				
Community Intervention Center	July 1, 2017 to June 30, 2018	\$ 490,965	490,965	490,965
Social Services	July 1, 2017 to June 30, 2018	\$ 12,000	<u>12,000</u>	<u>12,000</u>
			<u>\$ 2,192,252</u>	<u>\$ 2,192,252</u>

The accompanying notes are an integral part of this schedule.

PIVOT, INC.  
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS  
For the Year Ended June 30, 2018

1. Basis of Presentation

The accompanying schedules of expenditures of awards (the Schedules) include the federal and state grant activities of Pivot, Inc. under the programs of the federal and state governments for the year ended June 30, 2018. These schedules are presented in accordance with the requirements of the State of Oklahoma Office of Juvenile Affairs. Because the schedules present only a selected portion of the operations of Pivot, Inc. they are not intended to and do not present the financial position, changes in net assets or cash flows of Pivot, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles of the State of Oklahoma Office of Juvenile Affairs, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
Pivot, Inc.  
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pivot, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pivot, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pivot, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pivot, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pivot, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Oklahoma City, Oklahoma  
December 11, 2018