

Fisher/Nightingale Houses, Inc.

Financial Statements

December 31, 2017 and 2016



FLAGEL HUBER FLAGEL

Certified Public Accountants | Business Advisors

Fisher/Nightingale Houses, Inc.

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December 31, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors
Fisher/Nightingale Houses, Inc.
Wright Patterson Air Force Base, Ohio

We have audited the accompanying financial statements of Fisher/Nightingale Houses, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Fisher/Nightingale Houses, Inc. as of December 31, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Flagel Huber Flagel

Certified Public Accountants
Dayton, Ohio
September 19, 2018

Fisher/Nightingale Houses, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 442,874	\$ 294,480
Pledges receivable, net - current portion	20,973	24,123
Investments	2,510,119	2,061,051
Prepaid expenses	0	27
Total Current Assets	<u>2,973,966</u>	<u>2,379,681</u>
Property and Equipment		
Furniture and fixtures	7,614	7,614
Less: Accumulated depreciation	(7,455)	(7,136)
	<u>159</u>	<u>478</u>
Other Assets		
Pledges receivable, net	<u>6,991</u>	<u>8,041</u>
Total Assets	<u>\$ 2,981,116</u>	<u>\$ 2,388,200</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	<u>\$ 3,508</u>	<u>\$ 1,345</u>
Net Assets		
Unrestricted net assets	<u>2,977,608</u>	<u>2,386,855</u>
Total Liabilities and Net Assets	<u>\$ 2,981,116</u>	<u>\$ 2,388,200</u>

The accompanying notes are an integral part of these statements.

Fisher/Nightingale Houses, Inc.**Statements of Activities****For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Support and Revenue		
Combined Federal Campaign and United Way allocation	\$ 33,886	\$ 37,840
Contributions	519,134	774,798
All American Evening, net of expenses of \$26,811 in 2017 and \$20,397 in 2016	25,953	28,886
Popcorn sales, net of expenses of \$6,654 in 2017 and \$7,622 in 2016	21,314	21,914
Coin sales	10	0
Interest and dividend income	36,077	28,551
Realized gain (loss)	105,446	(4,504)
Unrealized gain	51,193	47,057
Total Support and Revenue	<u>793,013</u>	<u>934,542</u>
Expenses		
Program services	156,852	126,853
Management and general	30,079	26,244
Fundraising and development	15,329	10,685
Total Expenses	<u>202,260</u>	<u>163,782</u>
Change in Unrestricted Net Assets	590,753	770,760
Net Assets – beginning of year	<u>2,386,855</u>	<u>1,616,095</u>
Net Assets – end of year	<u>\$ 2,977,608</u>	<u>\$ 2,386,855</u>

The accompanying notes are an integral part of these statements.

Fisher/Nightingale Houses, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising and Development	Total
Expenses				
Accounting fees	\$ 5,150	\$ 5,150	\$ 0	\$ 10,300
Advertising	436	0	436	872
Bad debt expense (recovery)	(741)	0	0	(741)
Bank fees	0	1,119	0	1,119
Web communications	3,310	0	0	3,310
Depreciation	319	0	0	319
Office supplies	2,209	1,105	1,104	4,418
Postage and shipping	2,012	268	402	2,682
Housing support	15,779	0	0	15,779
Independent contractor	113,790	6,694	13,387	133,871
Insurance	7,052	0	0	7,052
Investment fees	0	14,688	0	14,688
State filing fees	200	0	0	200
Dues and subscriptions	1,055	1,055	0	2,110
Volunteer support activities	651	0	0	651
Family support	5,630	0	0	5,630
Total expenses	<u>\$ 156,852</u>	<u>\$ 30,079</u>	<u>\$ 15,329</u>	<u>\$ 202,260</u>

The accompanying notes are an integral part of these statements.

Fisher/Nightingale Houses, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services	Management and General	Fundraising and Development	Total
Expenses				
Accounting fees	\$ 6,582	\$ 6,581	\$ 0	\$ 13,163
Advertising	1,033	0	1,033	2,066
Bad debt expense	8,481	0	0	8,481
Bank fees	0	2,265	0	2,265
Web communications	6,234	0	0	6,234
Depreciation	477	0	0	477
Office supplies	3,709	1,854	1,855	7,418
Postage and shipping	1,834	244	367	2,445
Housing support	23,333	0	0	23,333
Independent contractor	63,155	3,715	7,430	74,300
Insurance	1,689	0	0	1,689
Investment fees	0	10,423	0	10,423
State filing fees	250	0	0	250
Dues and subscriptions	1,162	1,162	0	2,324
Volunteer support activities	1,211	0	0	1,211
Family support	7,703	0	0	7,703
Total expenses	<u>\$ 126,853</u>	<u>\$ 26,244</u>	<u>\$ 10,685</u>	<u>\$ 163,782</u>

The accompanying notes are an integral part of these statements.

Fisher/Nightingale Houses, Inc.**Statements of Cash Flows****For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 590,753	\$ 770,760
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	319	477
Realized (gain) loss	(105,446)	4,503
Unrealized gain	(51,193)	(47,056)
Changes in assets and liabilities:		
Pledges receivable	4,200	15,871
Prepaid expenses	27	962
Accounts payable	2,163	109
Net Cash Provided by Operating Activities	<u>440,823</u>	<u>745,626</u>
Cash Flows From Investing Activities:		
Purchase of investments	(2,055,035)	(1,036,640)
Proceeds from sale of investments	1,762,606	336,430
Net Cash Used in Investing Activities	<u>(292,429)</u>	<u>(700,210)</u>
Change in Cash	148,394	45,416
Cash and Cash Equivalents – beginning of year	<u>294,480</u>	<u>249,064</u>
Cash and Cash Equivalents – end of year	<u>\$ 442,874</u>	<u>\$ 294,480</u>

The accompanying notes are an integral part of these statements.

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2017 and 2016

1. Organization

Fisher/Nightingale Houses, Inc. (FNHI or the Organization) is a not-for-profit organization which exists to provide financial support for the Wright-Patterson Air Force Base (WPAFB) Fisher Houses and the Dayton Veterans Affairs Medical Center Fisher House in Dayton, Ohio. The Fisher Houses shelter and support families and outpatients in need of temporary housing during medical treatment at the Medical Centers. The Organization receives support and revenue mainly from the Combined Federal Campaign, donor contributions, and various fundraising activities to help ensure they will be able to provide any assistance necessary now and in the future. The Organization received approximately 4% of its support from the Combined Federal Campaign in 2017 and 2016.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of each class as it pertains to the Organization is as follows:

Unrestricted – Represents resources that have no restriction on their use and are available to support the Organization’s operations.

Temporarily Restricted – Represents resources resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. The Organization has no temporarily restricted net assets; therefore, this classification is omitted from the accompanying financial statements.

Permanently Restricted – Represents resources resulting from contributions or other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization pursuant to those stipulations. The Organization has no permanently restricted net assets; therefore, this classification is omitted from the accompanying financial statements.

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 effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to be all highly liquid accounts that include interest and non-interest bearing demand deposit accounts and investments with original maturities of three months or less.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Insurance coverage is \$250,000 per depositor at each financial institution. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

Pledges Receivable

Pledges receivable represent unconditional pledges from donors to contribute cash or other assets to the Organization. Pledges receivable are recognized when the pledge is made at the net present value of their estimated future cash flows. At December 31, 2017 and 2016 all pledge balances were estimated to be collected within two years (a discount to present value was not recorded for 2017 or 2016 due to the insignificant balance of pledges due after one year). Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization utilizes the allowance method in accounting for bad debts. An allowance is made for possible losses on collection of pledges receivable based upon periodic review of credit risks. When accounts are determined to be uncollectible, they are charged off against the allowance. Management reviewed pledges receivable and determined an allowance for doubtful accounts of \$4,935 and \$5,676 was necessary as of December 31, 2017 and 2016, respectively.

Investments

Investments are reported at fair value in the statements of financial position. Investment income, including interest, dividends, and realized and unrealized gains or losses, are recorded in the statements of activities as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor-imposed restrictions.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value when received as a donation. Depreciation is provided over the estimated useful lives of the depreciable property and is computed using the straight-line method.

Income Taxes

A favorable determination letter has been obtained from the Internal Revenue Service exempting the Organization from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

The Organization determines the recognition of uncertain tax positions, if applicable, that may subject the Organization to unrelated business income tax necessary by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. The Organization has no tax positions which must be considered for disclosure. The Organization believes it is no longer subject to income tax examinations for the years prior to 2014.

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, (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 statements of activities as net assets released from restrictions. However, restricted contributions may be reported as unrestricted support if the restrictions are met in the same reporting period.

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2017 and 2016 totaled \$872 and \$2,066 respectively.

3. Investments

The Organization's investments as of December 31, 2017, are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 100,899	\$ 100,899	\$ 0
Money market account	163,850	163,850	0
Registered investment companies	570,311	570,281	(30)
Equity securities	1,632,736	1,675,089	42,353
	<u>\$ 2,467,796</u>	<u>\$ 2,510,119</u>	<u>\$ 42,323</u>

The Organization's investments as of December 31, 2016, are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 446,104	\$ 446,104	\$ 0
Money market account	423,558	423,558	0
Registered investment companies	628,036	622,349	(5,687)
Equity securities	572,223	569,040	(3,183)
	<u>\$ 2,069,921</u>	<u>\$ 2,061,051</u>	<u>\$ (8,870)</u>

Interest and dividends earned on investments during 2017 and 2016 totaled \$36,077 and \$28,551 respectively.

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2017 and 2016

4. Fair Value Measurements

The Organization's investments are reported at fair value in the accompanying Statements of Financial Position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of inputs used to measure fair value under this accounting standard are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies the Plan used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Registered investment companies (Mutual funds), equity securities, money market accounts, and certificates of deposits are valued at the net asset value (NAV) of shares held by the Organization at year end.

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 100,899	\$ 0	\$ 0	\$ 100,899
Money market account	163,850	0	0	163,850
Registered investment companies	570,281	0	0	570,281
Equity securities	1,675,089	0	0	1,675,089
Total assets at fair value	<u>\$ 2,510,119</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,510,119</u>

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2017 and 2016

4. Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at December 31, 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 446,104	\$ 0	\$ 0	\$ 446,104
Money market account	423,558	0	0	423,558
Registered investment companies	622,349	0	0	622,349
Equity securities	569,040	0	0	569,040
Total assets at fair value	<u>\$ 2,061,051</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,061,051</u>

5. Subsequent Events

Management evaluated the activity of the Organization through September 19, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



In this ever-changing business environment, Flagel Huber Flagel goes beyond numbers and deadlines, returning the trust and confidence our clients place in us, with a caring partner relationship. We are committed to a collaborative search for ideas and solutions that help business organizations thrive and families build and preserve wealth. Our commitment is simple; financial and operational *insight*, service *integrity*, and problem solving *innovation*.

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