

Fisher/Nightingale Houses, Inc.

Financial Statements

December 31, 2018 and 2017



FLAGEL HUBER FLAGEL

Certified Public Accountants | Business Advisors

Fisher/Nightingale Houses, Inc.

Table of Contents

December 31, 2018 and 2017

Independent Auditor's Report	Page 1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11



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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, 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 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, 2018 and 2017, 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
November 6, 2019

Fisher/Nightingale Houses, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 572,124	\$ 442,874
Pledges receivable, net - current portion	17,086	20,973
Investments	2,342,431	2,510,119
Total Current Assets	<u>2,931,641</u>	<u>2,973,966</u>
Property and Equipment		
Furniture and fixtures	7,614	7,614
Less: Accumulated depreciation	(7,614)	(7,455)
	<u>0</u>	<u>159</u>
Other Assets		
Pledges receivable, net	5,696	6,991
Total Assets	<u>\$ 2,937,337</u>	<u>\$ 2,981,116</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 4,192	\$ 3,508
Promise to give	250,000	0
Total Current Liabilities	<u>254,192</u>	<u>3,508</u>
Net Assets		
Without Donor Restrictions	2,683,145	2,977,608
Total Liabilities and Net Assets	<u>\$ 2,937,337</u>	<u>\$ 2,981,116</u>

The accompanying notes are an integral part of these statements.

Fisher/Nightingale Houses, Inc.**Statements of Activities****For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Support and Revenue		
Combined Federal Campaign and United Way allocation	\$ 26,873	\$ 33,886
Contributions	518,499	519,134
All American Evening, net of expenses of \$22,354 in 2018 and \$26,811 in 2017	35,483	25,953
Popcorn sales, net of expenses of \$4,325 in 2018 and \$6,654 in 2017	15,879	21,314
Interest and dividend income	57,442	36,087
Realized gains on investments	26,453	105,446
Unrealized gains (losses) on investments	(242,708)	51,193
Total Support and Revenue	<u>437,921</u>	<u>793,013</u>
Expenses		
Program services	678,436	156,852
Management and general	36,860	30,079
Fundraising and development	17,088	15,329
Total Expenses	<u>732,384</u>	<u>202,260</u>
Change in Net Assets	(294,463)	590,753
Net Assets – beginning of year	<u>2,977,608</u>	<u>2,386,855</u>
Net Assets – end of year	<u>\$ 2,683,145</u>	<u>\$ 2,977,608</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, 2018

	Program Services	Management and General	Fundraising and Development	Total
Expenses				
Advertising	\$ 1,611	\$ 0	\$ 1,610	\$ 3,221
Bad debt expense (recovery)	(914)	0	0	(914)
Bank fees	0	953	0	953
Web communications	3,406	0	0	3,406
Depreciation	159	0	0	159
Office supplies	2,426	1,213	1,212	4,851
Postage and shipping	2,250	300	450	3,000
Housing support	35,789	0	0	35,789
Independent contractor	117,443	6,908	13,816	138,167
Insurance	1,712	0	0	1,712
Professional fees	3,875	27,486	0	31,361
State filing fees	200	0	0	200
Dues and subscriptions	1,516	0	0	1,516
Fisher House Foundation	500,000	0	0	500,000
Volunteer support activities	220	0	0	220
Family support	8,743	0	0	8,743
Total expenses	\$ 678,436	\$ 36,860	\$ 17,088	\$ 732,384

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				
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
Professional fees	5,150	19,838	0	24,988
State filing fees	200	0	0	200
Dues and subscriptions	1,055	1,055	0	2,110
Fisher House Foundation	0	0	0	0
Volunteer support activities	651	0	0	651
Family support	5,630	0	0	5,630
Total expenses	\$ 156,852	\$ 30,079	\$ 15,329	\$ 202,260

The accompanying notes are an integral part of these statements.

Fisher/Nightingale Houses, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (294,463)	\$ 590,753
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	159	319
Realized (gains) losses on investments	(26,453)	(105,446)
Unrealized (gains) losses on investments	242,708	(51,193)
Changes in assets and liabilities:		
Pledges receivable	5,182	4,200
Prepaid expenses	0	27
Accounts payable	684	2,163
Promise to give	250,000	0
Net Cash Provided by Operating Activities	<u>177,817</u>	<u>440,823</u>
Cash Flows From Investing Activities:		
Purchase of investments	(453,092)	(2,055,035)
Proceeds from sale of investments	404,525	1,762,606
Net Cash Used in Investing Activities	<u>(48,567)</u>	<u>(292,429)</u>
Change in Cash	129,250	148,394
Cash and Cash Equivalents – beginning of year	<u>442,874</u>	<u>294,480</u>
Cash and Cash Equivalents – end of year	<u>\$ 572,124</u>	<u>\$ 442,874</u>

The accompanying notes are an integral part of these statements.

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2018 and 2017

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, United Way, 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 6% and 4% of its support from the Combined Federal Campaign and the United Way as of December 31, 2018 and 2017, respectively.

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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. A description of each class as it pertains to the Organization is as follows:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 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.

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.

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

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, 2018 and 2017 all pledge balances were estimated to be collected within two years (a discount to present value was not recorded for 2018 or 2017 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 \$4,020 and \$4,935 was necessary as of December 31, 2018 and 2017, 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.

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.

Promise to Give

The Fisher House Foundation, Inc. is the national not-for-profit organization established to assist in the coordination of private support and encourage public support for the Fisher House programs across the country. At December 31, 2018 and 2017 the Organization had outstanding promises to give to the Fisher House Foundation of \$250,000 and \$0 respectively. Total donation expense to the Fisher House Foundation, Inc. for the years ended December 31, 2018 and 2017 was \$500,000 and \$0, respectively.

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 2015.

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Support and Revenue

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

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 Expenses

The costs of providing various program services and supporting activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefitted, on a reasonable basis that is consistently applied. Expenses that are not directly related to a single program or activity but are indispensable to the conduct of the Organization's programs or existence are charged to management and general. Expenses relating to activities undertaken to induce contributions are charged to fundraising. Certain administrative costs including salaries and wages, payroll taxes, and employee benefits are allocated on the basis of estimates of personnel time related to each activity. Costs related to occupancy and maintenance of the building are allocated based upon a space utilization schedule.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2018 and 2017 totaled \$3,221 and \$872 respectively.

3. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Financial assets at December 31, 2018	\$	2,937,337
Less those unavailable for general expenditure within one year, due to:		
Pledges receivable due after one year		(5,696)
Promise to give		(250,000)
Financial assets available to meet cash needs for general expenditures within one year:	\$	<u>2,681,641</u>

The Organization is substantially supported by contributions, which may contain donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities. Consequently, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It is the policy of the Organization to regularly review and assess the need for funds to meet operating obligations and to ensure the availability of cash or collateral to fulfill those requirements.

Fisher/Nightingale Houses, Inc.
Notes To Financial Statements
December 31, 2018 and 2017

4. Investments

The Organization's investments as of December 31, 2018, are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 51,542	\$ 51,542	\$ 0
Money market account	175,464	175,464	0
Registered investment companies	805,611	730,721	(74,890)
Equity securities	1,510,199	1,384,704	(125,495)
	<u>\$ 2,542,816</u>	<u>\$ 2,342,431</u>	<u>\$ (200,385)</u>

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>

Interest and dividends earned on investments during 2018 and 2017 totaled \$57,442 and \$36,087 respectively.

5. 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.

Fisher/Nightingale Houses, Inc.

Notes To Financial Statements

December 31, 2018 and 2017

5. Fair Value Measurements (Continued)

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, 2018 and 2017.

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, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 51,542	\$ 0	\$ 0	\$ 51,542
Money market account	175,464	0	0	175,464
Registered investment companies	730,721	0	0	730,721
Equity securities	1,384,704	0	0	1,384,704
Total assets at fair value	<u>\$ 2,342,431</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,342,431</u>

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>

6. Change in Accounting Policy

The Organization reclassified its opening net asset balances of July 1, 2018 to properly comply with accounting standards related to net asset classifications. The adoption of the new standard changes the presentation of net assets and has no net effect on the financial results of the Organization. Under the new policy the Organization's three net asset classifications (permanently restricted, temporarily restricted, and unrestricted) were replaced with two net asset classes: net assets with donor restrictions and net assets without donor restrictions.

7. Subsequent Events

Management evaluated the activity of the Organization through November 6, 2019 (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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