

Friends of Aullwood, Inc.

Financial Statements

and Supplementary Information

June 30, 2018 and 2017

With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Friends of Aullwood, Inc.
1000 Aullwood Road
Dayton, Ohio 45414

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of Aullwood, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Friends of Aullwood, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 12 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.

Prior Period Financial Statements

The financial statements of Friends of Aullwood, Inc. as of June 30, 2017, were audited by other auditors whose report dated November 3, 2017, expressed an unmodified opinion on those statements.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 18, 2018

Friends of Aullwood, Inc.
 Statements of Financial Position
 June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 398,214	479,014
Restricted cash equivalents	68,969	84,463
Contributions receivable	266,045	37,421
Prepaid expenses	318	318
Total assets	\$ 733,546	601,216
 Liabilities and net assets		
Accounts payable - Audubon	\$ 322,598	223,767
Accounts payable - other	20,913	2,959
Total liabilities	343,511	226,726
 Net assets		
Unrestricted	69,969	290,027
Temporarily restricted	320,066	84,463
Total net assets	390,035	374,490
Total liabilities and net assets	\$ 733,546	601,216

See accompanying notes to the financial statements.

Friends of Aullwood, Inc.
Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Membership dues	\$ 95,776	-	95,776
Bequests and contributions	533,360	251,097	784,457
Program receipts	88,313	-	88,313
Fundraising activities	38,757	-	38,757
Interest income	793	506	1,299
Net assets released from restrictions	<u>16,000</u>	<u>(16,000)</u>	<u>-</u>
 Total revenue, gains and other support	 <u>772,999</u>	 <u>235,603</u>	 <u>1,008,602</u>
Expenses:			
Program services:			
Grants - National Audubon Society, Inc.	845,223	-	845,223
Grants - Aullwood Audubon Center and Farm operations	34,770	-	34,770
Other program disbursements	<u>54,356</u>	<u>-</u>	<u>54,356</u>
 Total program services	 <u>934,349</u>	 <u>-</u>	 <u>934,349</u>
Supporting services:			
General and administrative	56,612	-	56,612
Fundraising activities	<u>2,096</u>	<u>-</u>	<u>2,096</u>
 Total supporting services	 <u>58,708</u>	 <u>-</u>	 <u>58,708</u>
 Total expenses	 <u>993,057</u>	 <u>-</u>	 <u>993,057</u>
 Change in net assets	 (220,058)	 235,603	 15,545
 Net assets, beginning of year	 <u>290,027</u>	 <u>84,463</u>	 <u>374,490</u>
 Net assets, end of year	 \$ <u><u>69,969</u></u>	 <u><u>320,066</u></u>	 <u><u>390,035</u></u>

See accompanying notes to the financial statements.

Friends of Aullwood, Inc.
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support:			
Membership dues	\$ 85,067	-	85,067
Bequests and contributions	474,742	-	474,742
Program receipts	88,081	-	88,081
Fundraising activities	52,291	-	52,291
Interest income	985	591	1,576
Net assets released from restrictions	<u>16,000</u>	<u>(16,000)</u>	<u>-</u>
 Total revenue, gains and other support	 <u>717,166</u>	 <u>(15,409)</u>	 <u>701,757</u>
Expenses:			
Program services:			
Grants - National Audubon Society, Inc.	748,767	-	748,767
Grants - Aullwood Audubon Center and Farm operations	41,285	-	41,285
Other program disbursements	<u>74,552</u>	<u>-</u>	<u>74,552</u>
 Total program services	 <u>864,604</u>	 <u>-</u>	 <u>864,604</u>
Supporting services:			
General and administrative	30,305	-	30,305
Fundraising activities	<u>1,899</u>	<u>-</u>	<u>1,899</u>
 Total supporting services	 <u>32,204</u>	 <u>-</u>	 <u>32,204</u>
 Total expenses	 <u>896,808</u>	 <u>-</u>	 <u>896,808</u>
 Change in net assets	 (179,642)	 (15,409)	 (195,051)
 Net assets, beginning of year	 <u>469,669</u>	 <u>99,872</u>	 <u>569,541</u>
 Net assets, end of year	 <u>\$ 290,027</u>	 <u>84,463</u>	 <u>374,490</u>

See accompanying notes to the financial statements.

Friends of Aullwood, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 15,545	(195,051)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Contributions receivable	(228,624)	4,233
Prepaid expenses	-	2,517
Accounts payable	<u>116,785</u>	<u>18,828</u>
Net cash used by operating activities	<u>(96,294)</u>	<u>(169,473)</u>
Net change in cash and cash equivalents	(96,294)	(169,473)
Cash and cash equivalents - beginning of year	<u>563,477</u>	<u>732,950</u>
Cash and cash equivalents - end of year	\$ <u>467,183</u>	<u>563,477</u>

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities

Friends of Aullwood, Inc. (the "Organization") was founded in 1979 primarily to raise and administer funds for the operating expenses and educational programs at the Aullwood Audubon Center and Farm. The Organization is funded primarily by income from five endowment funds and two depository accounts. The funds are all administered by the Dayton Foundation.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial statement presentation

The Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, which have no donor-imposed restrictions, temporarily restricted net assets, which have donor-imposed restrictions that will likely expire in the future, and permanently restricted net assets, which have donor-imposed restrictions which do not expire. There were no permanently restricted net assets as of June 30, 2018 and 2017.

Income taxes

The Organization is not-for-profit entity and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been determined that the Organization is not a private foundation as defined by the Internal Revenue Code. Therefore, no provision is made for taxes on income.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, checking and savings cash balances and money market accounts. The Organization maintains cash balances with several financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 in value. As of June 30, 2018 and 2017, the Organization had amounts in excess of FDIC limits of \$148,214 and \$229,014, respectively.

Contributions receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and managements' analysis of specific promises made. Management believes all amounts are collectable and no allowance has been established as of June 30, 2018 and 2017.

Restricted and unrestricted revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by The Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

Functional expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among benefited programs and supporting services. All fundraising costs are charged to fundraising; there are no joint costs.

Concentration of revenue, gains and other support

The Organization received approximately 47% and 74% of its annual revenue from the five Friends of Aullwood Endowment Funds for the years ended June 30, 2018 and 2017, respectively.

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through December 18, 2018, the date on which the financial statements were available to be issued.

Reclassifications

Certain items from 2017 have been reclassified to conform to the current year presentation. There was no impact to net assets or the change in net assets as a result of these reclassifications.

2. CONTRIBUTIONS RECEIVABLE:

Contributions receivable are as follows at June 30:

	<u>2018</u>	<u>2017</u>
Receivables in less than one year	\$ 263,787	24,936
Receivables in one to five years	<u>2,405</u>	<u>12,730</u>
Total	266,192	37,666
Less discounts to net present value	<u>(147)</u>	<u>(245)</u>
Total contributions receivable	\$ <u>266,045</u>	<u>37,421</u>

A risk-free discount rate of 1.96% was used on contributions receivable due in more than one year for years ended June 30, 2018 and 2017.

3. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets include a gift made in the year ended June 30, 2012 for the establishment of a fund to support an Avian Art Contest. The terms of the gift specify that the Organization use up to \$16,000 annually over a ten-year period. The initial contest was held in the year ended June 30, 2013. Disbursements to the National Audubon Society were \$16,000 for each of the years ended June 30, 2018 and 2017, respectively. The remaining balance of these funds were \$68,969 and \$84,463 at June 30, 2018 and 2017, respectively, and are reported as restricted cash on the statements of financial position.

Certain contributions receivable were time restricted for future periods as of June 30, 2018 of \$251,097.

4. OTHER RESOURCES:

The Organization's operations are funded in part by the following funds that are owned and administered by the Dayton Foundation and consequently are not recorded as assets of the Organization. The funds had fair values as follows at June 30:

	<u>2018</u>	<u>2017</u>
Endowment Funds:		
Marie S. Aull Fund	\$ 8,099,251	7,821,174
Ralph and Bessie Aull Reahard Memorial Fund	454,291	438,701
Friends of Aullwood Education Endowment Fund	1,051,245	1,015,152
Environmental Improvement Program for AAC&F Fund	156,250	148,892
Aullwood Friends' Fund B	<u>2,901,024</u>	<u>2,802,984</u>
	\$ <u>12,662,061</u>	<u>12,226,903</u>

Friends of Aullwood, Inc. Funds – Depository Funds:

Friends of Aullwood Operations Fund	\$ 264,214	261,894
Aullwood Friends' Fund A	<u>288,706</u>	<u>280,092</u>
	<u>552,920</u>	<u>541,986</u>
	<u>\$ 13,214,981</u>	<u>12,768,889</u>

Endowment Funds

The Marie S. Aull Fund was established in 1986 to support the operating expenses of Aullwood Audubon Center and Farm.

The Ralph and Bessie Aull Reahard Memorial Fund was established in 1987 to provide funds for replacement of an Aullwood Audubon Center barn that was destroyed by fire. This fund now supports the maintenance expenses of Aullwood Audubon Center and Farm.

The Friends of Aullwood Education Endowment Fund was established in 1979 to support education programs at Aullwood Audubon Center and Farm. The Friends of Aullwood Education Endowment Fund supports development of educational programs at the Aullwood Audubon Center and Farm. A portion of the yearly income from this endowment is transferred to the Organization where it is restricted for the use of these programs, and the remaining income is to be reinvested by the Dayton Foundation as principal. Contributions from the Endowment Fund are reported as unrestricted contributions in these financial statements since the purpose of the restrictions are met in the same reporting period. The Organization uses the contributions from this fund each year to support and develop educational programs at the Aullwood Audubon Center and Farm.

The Environmental Improvement Program for Aullwood Audubon Center and Farm Fund was established in 1996 by Sylvia Koons Trust and supports the operating expenses of Aullwood Audubon Center and Farm.

The Aullwood Friends' Fund B was established in 1993 as a holding account for various contributions where only the interest may be expended for the specific purpose of the gift.

A portion of the yearly income from these funds provides annual support for the Aullwood Audubon Center and Farm. The remainder of growth of the funds allows for growth of principal. This provides an inflationary hedge for loss of purchasing power of the funds. These funds are held by the Dayton Foundation, and the income is distributed either annually or quarterly.

Friends of Aullwood, Inc. Funds - Depository Funds

The Friends of Aullwood Operations Fund was established in 1993 for the purpose of accepting gifts and to manage the assets used for the operations of the Organization. However, since these funds are not restricted for this use, they are not separated as the funds discussed above.

These funds include the Aullwood Friends' Funds A. The funds are also held by the Dayton Foundation, and the income and principal is distributable on a discretionary basis.

Friends of Aullwoodm Inc.
Supplementary Information
Years Ended June 30, 2018 and 2017

	2018	2017
Schedules of bequests and contributions:		
Marie S. Aull Fund	\$ 297,520	298,082
Ralph and Bessie Aull Reahard Memorial Fund	16,867	16,880
Friends of Aullwood Education Endowment Fund	38,617	38,690
Environmental Improvement Program Fund	5,695	5,682
Aullwood Friends' Fund A	10,619	10,580
Aullwood Friends' Fund B	104,574	103,535
Memorials and Bequests	310,481	-
Friends of Aullwood Farm Expansion and Renovation	84	1,293
	\$ 784,457	474,742
Schedules of program receipts:		
Birdseed sale	\$ 14,816	16,250
Fund the need	21,700	-
Pancake meals	5,588	3,461
Rent-a-bucket	887	1,993
en Blanc	45,322	66,377
	\$ 88,313	88,081
Schedules of fundraising expenses:		
Annual giving campaign expenses	\$ 1,655	1,289
Membership expenses	441	610
	\$ 2,096	1,899
Schedules of other program disbursements:		
Birdseed sale	\$ 7,384	10,014
Pancake meals and rent-a-bucket	929	300
Quilt auction and Autumn Affair	-	3,245
en Blanc	30,043	44,993
Avian art fund	16,000	16,000
	\$ 54,356	74,552

