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DONALD F. SCHERER

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends of the University of Auckland, Inc.

We have audited the accompanying financial statements of the Friends of the University of Auckland, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

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. 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 the Friends of the University of Auckland, Inc. as of December 31, 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

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, in 2018 the Friends of the University of Auckland, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Friends of the University of Auckland, Inc.'s December 31, 2017 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ann J. Flanagan & Co.

New York, New York
August 2, 2019

FRIENDS OF THE UNIVERSITY OF AUCKLAND, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 222,127	\$ 388,250
Pledges receivable	420,795	352,848
Prepaid expense	6,577	-
Other property	<u>5,000</u>	<u>5,000</u>
<u>Total Assets</u>	<u>\$ 654,499</u>	<u>\$ 746,098</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
None	<u>\$ -</u>	<u>\$ -</u>
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>
<u>Net Assets</u>		
Without donor restrictions	177,872	170,481
With donor restrictions	<u>476,627</u>	<u>575,617</u>
<u>Total Net Assets</u>	<u>654,499</u>	<u>746,098</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 654,499</u>	<u>\$ 746,098</u>

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

FRIENDS OF THE UNIVERSITY OF AUCKLAND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018</u>	<u>2017</u>
<u>Revenue</u>				
Cash contributions	\$ 227,246	\$ 194,494	\$421,740	\$776,231
In-Kind contributions	193,617	-	193,617	186,950
Foreign exchange gains (losses)	-	(16,464)	(16,464)	24,967
Investment return	599	-	599	43
<u>Total Revenue</u>	<u>421,462</u>	<u>178,030</u>	<u>599,492</u>	<u>988,191</u>
<u>Net assets released from restrictions</u>	<u>277,020</u>	<u>(277,020)</u>	<u>-</u>	<u>-</u>
<u>Expenses</u>				
Program services	502,862		502,862	800,315
Management and general	14,820		14,820	14,962
Fundraising	173,409		173,409	173,358
<u>Total Expenses</u>	<u>691,091</u>		<u>691,091</u>	<u>988,635</u>
Change in Net Assets	7,391	(98,990)	(91,599)	(444)
Net Assets, beginning of year	170,481	575,617	746,098	746,542
<u>Net Assets, End of Year</u>	<u>\$ 177,872</u>	<u>\$ 476,627</u>	<u>\$654,499</u>	<u>\$746,098</u>

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

FRIENDS OF THE UNIVERSITY OF AUCKLAND, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

<u>CASH FLOWS PROVIDED (USED)</u>	<u>2018</u>	<u>2017</u>
<u>From Operating Activities:</u>		
Change in Net Assets	\$ (91,599)	\$ (444)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in prepaid expense	(6,577)	-
Decrease (increase) in pledges receivable	<u>(67,947)</u>	<u>(302,743)</u>
Cash flows provided (used) by operating activities	<u>(166,123)</u>	<u>(303,187)</u>
Net Increase (Decrease) in Cash for the Year	(166,123)	(303,187)
Cash, beginning of year	<u>388,250</u>	<u>691,437</u>
Cash, end of year	<u><u>\$ 222,127</u></u>	<u><u>\$ 388,250</u></u>

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

FRIENDS OF THE UNIVERSITY OF AUCKLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Program Services	Management and General	Fund- Raising	2018 Total	2017 Total
Grants	\$ 502,862	\$ -	\$ -	\$ 502,862	\$ 800,315
Management fees	-	6,781	-	6,781	6,617
Accounting	-	6,500	-	6,500	6,300
Consultant's fees and expenses	-	-	173,409	173,409	173,358
Filing fees and bank charges	-	1,539	-	1,539	2,045
<u>Total</u>	<u>\$ 502,862</u>	<u>\$ 14,820</u>	<u>\$ 173,409</u>	<u>\$ 691,091</u>	<u>\$ 988,635</u>

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

FRIENDS OF THE UNIVERSITY OF AUCKLAND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1 - Organization

The Friends of the University of Auckland, Inc. is a not-for-profit organization incorporated in 2000 to support activities at the University of Auckland in New Zealand.

Note 2 - New Accounting Pronouncements

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* effective for fiscal years beginning after December 15, 2017. Friends of the University of Auckland, Inc. has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions
- The temporarily restricted net asset class has been renamed net assets with donor restrictions
- The financial statements include a new disclosure about liquidity and availability of resources (Note 10)

Note 3 - Accounting Policies

These financial statements have been prepared in accordance with the accrual basis of accounting. Contributions are recorded when pledges are received. Grants are recorded when approved and expenses are recorded when incurred rather than when paid.

The Organization's net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

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

Assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization, fulfillments of donors' stipulations, or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are treated as assets without donor restrictions.

The Organization's revenues are almost entirely derived from donors' contributions.

For the statement of cash flows, cash is defined as amounts on deposit in checking and savings accounts.

For purposes of the Statement of Functional Expenses, costs have been charged directly to program services, fundraising and management and general expenses. The costs of providing the Organization's various program and supporting services have been summarized on a functional basis in the Statement of Activities.

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 the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

FRIENDS OF THE UNIVERSITY OF AUCKLAND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 4 - Pledges Receivable

The Organization's pledges receivable at December 31, 2018 are expected to be collected as follows:

2019	\$118,529
2020-2022	<u>302,266</u>
	<u>\$420,795</u>

Pledges denominated in foreign currency, generally the New Zealand dollar, are adjusted to United States dollars based upon quoted exchange rates. The rate used at December 31, 2018 for the New Zealand dollar was .6711. The comparable rate at the beginning of the fiscal year was .7117. A pledge in British pounds has been recorded using a rate of 1.28 as of December 31, 2018. The comparable rate at the beginning of the fiscal year was 1.351. Gains or losses on changes in receivables based upon changes in exchange rates are shown separately in the statement of activities.

Management believes that the pledges are fully collectible so no allowance has been made for bad debts.

The discount on long-term pledge receivables has been deemed to be immaterial.

Note 5 - Donated Services

Donated services are provided by the University of Auckland Foundation by payment of expenses on behalf of this Organization that would otherwise have to be purchased. The value of these services is recorded at the actual cost paid for the services. In 2018, the Organization received donations of donated services of \$193,617 for the following:

Fundraising services	\$173,409
Accounting services	6,500
Management services	6,781
Management services prepaid for 2019	6,577
Filing fees	<u>350</u>
	<u>\$193,617</u>

Note 6 - Subsequent Events

In connection with the preparation of these financial statements, Management evaluated subsequent events after the date of the Statement of Financial Position of December 31, 2018 through August 2, 2019 which was the date the financial statements were available to be issued.

Note 7 - Tax Status

The Organization has been determined to be exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization has not entered into uncertain tax positions that would require financial statement recognition.

FRIENDS OF THE UNIVERSITY OF AUCKLAND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 8 - Concentrations

The Organization maintains its cash balances in one financial institution. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year the balances at that bank exceed the FDIC limit. Management has addressed this risk by only using a large well-established financial institution.

Note 9 - Net Assets with Donor Restrictions

At December 31, 2018 net assets with donor restrictions were as follows:

Time restricted	\$420,795	(for pledges due in future years)
Purpose restricted	<u>55,832</u>	
<u>Total</u>	<u>\$476,627</u>	

During 2018 net assets with donor restrictions were released as follows:

Time restricted	\$ 19,750	(collection of pledges)
Purpose restricted	<u>257,270</u>	(Payment of grants fulfilling restrictions)
<u>Total</u>	<u>\$277,020</u>	

Note 10 - Liquidity Disclosure

The Organization has net assets available for use within one year from the statement of financial position for general expenditure as follows:

Cash	\$222,127
Pledges receivable	<u>420,795</u>
	642,922
Less restricted:	
Time restricted (long-term portion of pledges receivable)	(302,266)
Purpose restricted by donor	<u>(55,832)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$284,824</u>

Management has a policy of maintaining all of its liquid financial assets in cash so that they are available to meet cash needs as they arise. In addition, grants are not paid until sufficient funds are available.