

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Columbus, Ohio

Financial Statements
May 31, 2017

MULLIGAN, TOPY & CO.
Certified Public Accountants
Gahanna, Ohio



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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Ohio Newsboys' Association, Inc.
Columbus, Ohio

We have audited the accompanying financial statements of Ohio Newsboys' Association, Inc. (a nonprofit corporation), which comprise the statements of financial position as of May 31, 2017 and 2016 and the related statements of activities 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 maintaining 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 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 those 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 Ohio Newsboys' Association as of May 31, 2017 and 2016 and the results of its operations and changes in net assets, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Gahanna, Ohio
June 28, 2017

Mulligan, Jopy & Co.

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Statements of Financial Position May 31,

ASSETS

	Charity	
	2017	2016
Assets:		
Cash	\$ 268,992	\$ 605,010
Prepaid expense		
Accrued interest receivable	5,515	6,835
Program inventory	663,523	509,300
Investments	6,984,667	6,704,001
Property and equipment - net		
Total Assets	\$ <u>7,922,697</u>	\$ <u>7,825,146</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable - trade	\$ 3,011	
Accrued expenses		
Deferred income		
Total liabilities	<u>3,011</u>	<u> </u>
Net Assets:		
Unrestricted	7,882,540	\$ 7,788,729
Permanently restricted	37,146	36,417
Total net assets	<u>7,919,686</u>	<u>7,825,146</u>
Total Liabilities and Net Assets	\$ <u>7,922,697</u>	\$ <u>7,825,146</u>

See Notes to Financial Statements.

Administrative		Total	
2017	2016	2017	2016
\$ 79,338	\$ 111,158	\$ 348,330	\$ 716,168
6,279	6,257	6,279	6,257
		5,515	6,835
		663,523	509,300
		6,984,667	6,704,001
<u>838,143</u>	<u>881,872</u>	<u>838,143</u>	<u>881,872</u>
<u>\$ 923,760</u>	<u>\$ 999,287</u>	<u>\$ 8,846,457</u>	<u>\$ 8,824,433</u>

\$ 2,359	\$ 1,781	\$ 5,370	\$ 1,781
7,728	7,237	7,728	7,237
<u>15,245</u>	<u>22,170</u>	<u>15,245</u>	<u>22,170</u>
25,332	31,188	28,343	31,188

898,428	968,099	8,780,968	8,756,828
		37,146	36,417
<u>898,428</u>	<u>968,099</u>	<u>8,818,114</u>	<u>8,793,245</u>
<u>\$ 923,760</u>	<u>\$ 999,287</u>	<u>\$ 8,846,457</u>	<u>\$ 8,824,433</u>

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Statements of Activities For the Years Ended May 31,

	Charity	
	2017	2016
Changes in Unrestricted Net Assets:		
Revenues, support and gains:		
Contributions	\$ 1,444,283	\$ 1,093,683
Bequests and other gifts	28,120	128,145
Dues and initiation fees		
Fund raising		
Miscellaneous income		
Investment income		
Net realized and unrealized gains (losses) on investments	301,262	(281,062)
Total revenues, support and gains	1,773,665	940,766
Expenses:		
Program services	1,289,776	1,323,877
Management and general		
Fund raising		
Total expenses	1,289,776	1,323,877
Transfers between funds	(390,077)	(323,949)
Change in unrestricted net assets	93,812	(707,060)
Change in Permanently Restricted Net Assets:		
Investment income on endowment	728	714
Change in permanently restricted net assets	728	714
Change in Net Assets	94,540	(706,346)
Net Assets - Beginning of Year	7,825,146	8,531,492
Net Assets - End of Year	\$ 7,919,686	\$ 7,825,146

See Notes to Financial Statements.

Administrative		Total	
2017	2016	2017	2016
\$ 3,244	\$ 7,837	\$ 1,447,527	\$ 1,101,520
		28,120	128,145
36,643	28,418	36,643	28,418
9,570	11,035	9,570	11,035
3,136	3,645	3,136	3,645
116,971	163,205	116,971	163,205
		<u>301,262</u>	<u>(281,062)</u>
<u>169,564</u>	<u>214,140</u>	<u>1,943,229</u>	<u>1,154,906</u>
288,311	226,711	1,578,087	1,550,588
220,252	219,201	220,252	219,201
120,749	118,219	120,749	118,219
<u>629,312</u>	<u>564,131</u>	<u>1,919,088</u>	<u>1,888,008</u>
<u>390,077</u>	<u>323,949</u>		
<u>(69,671)</u>	<u>(26,042)</u>	<u>24,141</u>	<u>(733,102)</u>
		<u>728</u>	<u>714</u>
		<u>728</u>	<u>714</u>
<u>(69,671)</u>	<u>(26,042)</u>	<u>24,869</u>	<u>(732,388)</u>
<u>968,099</u>	<u>994,141</u>	<u>8,793,245</u>	<u>9,525,633</u>
<u>\$ 898,428</u>	<u>\$ 968,099</u>	<u>\$ 8,818,114</u>	<u>\$ 8,793,245</u>

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Statements of Cash Flows For the Years Ended May 31,

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets:	\$ 24,869	\$ (732,388)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation	51,226	52,503
Non-cash contribution	(92,527)	(2,500)
Net realized and unrealized (gains) losses on investments	(301,262)	281,062
Loss on disposal of equipment		477
(Increase) decrease in:		
Prepaid expense	(22)	(5,101)
Accrued interest receivable	1,320	3,448
Program inventory	(61,696)	62,818
Increase (decrease) in:		
Accounts payable - trade	3,589	(9,215)
Accrued expense	491	2,319
Deferred income	(6,925)	1,600
Net cash provided by (used by) operating activities	(380,937)	(344,977)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(7,497)	(6,022)
Transfers to investment accounts	(650,000)	
Transfers from investment accounts	850,392	848,336
Investment income reinvested	(179,796)	(163,918)
Net cash provided by (used by) investing activities	13,099	678,396
Net Increase (Decrease) in Cash	(367,838)	333,419
Cash - Beginning of Year	716,168	382,749
Cash - End of Year	\$ 348,330	\$ 716,168

See Notes to Financial Statements.

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Statements of Functional Expenses For the Years Ended May 31,

	Program	
	2017	2016
Clothing	\$ 934,401	\$ 994,627
Shoes	255,260	236,998
Uniforms	95,395	47,334
Books		3,406
Math		36,760
Payroll, Payroll Taxes and Employee Benefits	201,682	145,951
Building Repairs and Expenses	36,080	29,183
Investment and Bank Fees		
Office Supplies and Printing		
Computer Network	3,686	6,876
Mailing		
Audit Fees		
Insurance	13,760	13,199
Miscellaneous		
Depreciation	30,736	31,502
Fund Drive		
Pep Drive and Appreciation Dinner		
Meetings and Memorials		
Task Force		
Travel Reimbursements	2,367	
Golf Outings		
Program Supplies	4,720	4,752
Outreach		
Publicity		
Total expenses	<u>\$ 1,578,087</u>	<u>\$ 1,550,588</u>

See Notes to Financial Statements.

Management and General		Fund Raising		Total	
2017	2016	2017	2016	2017	2016
				\$ 934,401	\$ 994,627
				255,260	236,998
				95,395	47,334
					3,406
					36,760
\$ 86,435	\$ 62,553			288,117	208,504
21,046	17,023	\$ 3,007	\$ 2,432	60,133	48,638
44,252	52,955			44,252	52,955
8,487	14,257			8,487	14,257
2,150	4,011	307	573	6,143	11,460
3,046	4,110			3,046	4,110
9,500	9,500			9,500	9,500
8,027	7,700	1,147	1,100	22,934	21,999
13,112	11,698			13,112	11,698
17,929	18,376	2,561	2,625	51,226	52,503
		20,701	22,522	20,701	22,522
		32,653	36,100	32,653	36,100
5,668	9,622			5,668	9,622
600	7,396			600	7,396
				2,367	
		6,719	7,877	6,719	7,877
				4,720	4,752
		10,654	6,823	10,654	6,823
		43,000	38,167	43,000	38,167
<u>\$ 220,252</u>	<u>\$ 219,201</u>	<u>\$ 120,749</u>	<u>\$ 118,219</u>	<u>\$ 1,919,088</u>	<u>\$ 1,888,008</u>

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Notes to Financial Statements May 31, 2017

Note 1 - Significant Accounting Policies

Organization

The Ohio Newsboys' Association, Inc. is a not-for-profit Ohio corporation, organized for the purpose of providing clothing, shoes, books and other assistance to school-aged children in Central Ohio.

To accomplish its purposes, the Association holds the annual "Charity Newsies" fund drive, invites gifts and grants from public and private sectors, collects dues and initiation fees from members and sponsors other fund raising events.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

In order to ensure observance of limitations and restrictions place on the use of the resources available to The Ohio Newsboys' Association, the accounts of the Association are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposed are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The Charity Fund is maintained to account for all contributions to be used to provide clothing, shoes and books for needy school-age children. The Administrative Fund is maintained to account for dues and other income and contributions, which are intended to provide for the operation expense of the Association. Accordingly, all financial transactions have been reported by fund group.

These financial statements have been prepared to focus on the Association as a whole and to present net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets -- Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets -- Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. 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.

Permanently restricted net assets -- Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use the income earned on the related investments for general or specific purposes.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the organization considers all demand deposits with banks to be cash equivalents.

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Notes to Financial Statements (Continued)

May 31, 2017

Note 1 - Significant Accounting Policies (Continued)

Program Inventory

Program inventory is carried at cost, using the first-in first-out (FIFO) method, and consists of clothing and related educational materials on hand to be given to needy children.

Investments

Investments consist of cash, money market accounts, mutual funds and marketable securities, which are carried at their fair value. A brokerage house and the Columbus Foundation administer the accounts. These entities are responsible for custody and investment management under the supervision of the Board of Trustees.

Property and Equipment

Property and equipment is recorded at cost or at its estimated fair value at the date of donation, if given by gift. Depreciation is provided on the straight-line method over the following useful lives:

Furniture and equipment	10 years
Computers	5 years
Building Improvements	10 years
Buildings	40 years
Land Improvements	10 to 40 years

The Association capitalizes expenditures greater than \$500 for major renewals and betterments that extend the useful lives of property and equipment. Expenditures for maintenance and repairs are charged to expense as incurred.

Federal Income Taxes

The Internal Revenue Service has ruled that the Association is a tax exempt organization as defined under Section 501 (c) (3) of the Internal Revenue Service Code. Accordingly, no provision for federal income taxes has been made in the financial statements.

The Association has income tax returns open to Internal Revenue Service audit for the years ending May 31, 2017, 2016, 2015 and 2014.

Functional Expenses

The Association reports its expenses on the functional basis. Accordingly, some of the Administrative fund costs have been allocated among program service, general administrative and fund raising based on, among other things, evaluations of employees' time incurred on each.

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Notes to Financial Statements (Continued)

May 31, 2017

Note 1 - Significant Accounting Policies (Continued)

Use of 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 the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Contributions

The Association records its contributions at their fair market value at the date of contribution and as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted.

Volunteer Services

The Association gratefully acknowledges the contributed services, which it receives from its members who assist in its fund raising efforts and general mission. In accordance with FASB Accounting Standards Codification ASC 958-605 *Revenue Recognition*, the value of such services has not been recognized in the financial statements.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association; that is, in substance unconditional. Contributions that are received subject to certain donor stipulations 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.

Note 2 – Concentration of Credit Risk

The Association maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation. As of May 31, 2016, the uninsured portions of the balances were approximately \$416,000.

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Notes to Financial Statements (Continued) May 31, 2017

Note 3 - Investments

The following are the aggregate cost and fair values as of May 31,

	2017 Aggregate Fair Value	2016 Aggregate Fair Value
U.S. Treasury and Federal Agencies Obligations	\$ 614,087	\$ 1,259,413
Certificates of Deposit	2,000,000	800,000
Mutual Funds	760,661	734,939
Common Stocks	1,787,004	1,829,860
Corporate Bonds	426,349	474,837
Money Market Funds	<u>1,396,566</u>	<u>1,604,952</u>
Total All Investment Accounts	<u>\$ 6,984,667</u>	<u>\$ 6,704,001</u>

The following are the aggregate cost and fair values as of May 31,

	2017 Aggregate Fair Value	2016 Aggregate Fair Value
Morgan Stanley Smith Barney Fund #1		
U.S. Treasury and Federal Agencies Obligations		\$ 603,736
Certificates of Deposit	\$ 2,000,000	800,000
Money Market Funds	<u>555,663</u>	<u>1,214,399</u>
Total Morgan Stanley Smith Barney Fund #1	2,555,663	2,618,135
Morgan Stanley Smith Barney Fund #2		
U.S. Treasury and Federal Agencies Obligations	614,087	655,677
Common Stocks	1,660,852	1,829,860
Corporate Bonds	426,349	474,837
Mutual Funds	640,159	734,939
Money Market Funds	<u>74,817</u>	<u>59,878</u>
Total Morgan Stanley Smith Barney Fund #2	3,416,264	3,755,191
Infinex		
Common Stocks	126,152	
Mutual Funds	120,502	
Money Market Funds	<u>4,816</u>	
Total Infinex	251,470	

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Notes to Financial Statements (Continued)

May 31, 2017

Note 3 - Investments (Continued)

	2017 Aggregate Fair Value	2016 Aggregate Fair Value
Heartland Bank		
Money Market Funds	<u>400,609</u>	
Total Heartland Bank	400,609	
Columbus Foundation:		
Money Market Funds	<u>360,661</u>	<u>330,675</u>
Total Columbus Foundation	<u>360,661</u>	<u>330,675</u>
 Total All Investment Accounts	 <u>\$ 6,984,667</u>	 <u>\$ 6,704,001</u>

The Association invests in marketable securities with readily determined fair values based on quoted prices in active markets (all Level 1 measurements).

The Board of Trustees has approved the allocation of the investment income for general and administrative purposes. The following schedule summarizes the investment income reported in the statements of activities for the years ended May 31,

	2017		2016	
	Charity Fund	Administrative Fund	Charity Fund	Administrative Fund
Interest and Dividends	\$ 117,669	\$ 30	\$ 163,918	\$ 1
Annual allocation of investment income	(72,689)	72,689	(110,249)	110,249
Investment fees paid by Charity fund for the Administrative fund	<u>(44,252)</u>	<u>44,252</u>	<u>(52,955)</u>	<u>52,955</u>
Total	<u>\$ 728</u>	<u>\$ 116,971</u>	<u>\$ 714</u>	<u>\$ 163,205</u>

Note 4 - Property and Equipment

Property and equipment at May 31, 2017 and 2016 consisted of the following:

	2017	2016
Furniture and equipment	\$ 131,550	\$ 124,052
Buildings and improvements	1,348,086	1,348,086
Land and improvements	220,238	220,238
Vehicles	<u>6,306</u>	<u>6,306</u>
Total property and equipment	1,706,180	1,698,682
Accumulated depreciation	<u>(868,036)</u>	<u>(816,810)</u>
Property and equipment – net	<u>\$ 838,144</u>	<u>\$ 881,872</u>

THE OHIO NEWSBOYS' ASSOCIATION, INC.

Notes to Financial Statements (Continued)

May 31, 2017

Note 5 - Permanently Restricted Net Assets

Permanently restricted net assets consist of donor restricted assets (endowments) of which only the income can be spent by the Association. The permanently restricted net asset as of May 31, 2017 and 2016 was an internally controlled endowment with the income restricted to the accomplishment of its charitable purpose.

Note 6 - Contingencies

The Association may be subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Association if disposed of unfavorably.

The Association is subject to the Ohio Department of Jobs and Family Services unemployment compensation system. The law provides the option to elect coverage or be self-insured. The Board of Trustees, upon advice of legal counsel, elected to be self-insured. A liability may arise for future benefit payments. Such payments, if any, are not determinable and, therefore, are not shown in the financial statements.

Note 7 - Supplementary Statement of Cash Flow Information

Non-Cash Transactions

During the year ended May 31, 2017, the Association received a non-cash contribution of inventory with an estimated fair value of \$92,527.

During the year ended May 31, 2016 the Association received a non-cash contribution of a vehicle with an estimated fair value of \$2,500. The Association also disposed of a vehicle with a net book value of \$477 (cost \$2,860 less accumulated depreciation \$2,383), which was reported in the statement of functional expenses under miscellaneous expense.

Note 8 - Subsequent Event

The Association has evaluated subsequent events through June 28, 2017, the date which the financial statements were available to be issued.