

**OHIOANA LIBRARY ASSOCIATION**

Audited Financial Statements

For the years ended June 30, 2017 and 2016

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# OHIOANA LIBRARY ASSOCIATION

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Ohioana Library Association  
Columbus, Ohio

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Ohioana Library Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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 organization'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 organization's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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*Wells, CPA 6500 Emerald Parkway, Suite 100 Dublin, OH 43016 614.495.9288*

**INDEPENDENT AUDITORS' REPORT  
(Continued)**

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohioana Library Association as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Wells, CPA*

Dublin, Ohio  
October 3, 2017

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**OHIOANA LIBRARY ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
AS OF THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash	\$ 151,464	\$ 38,028
Accounts Receivable	10,000	-
Total Current Assets	161,464	38,028
<b>Other Assets</b>		
Furniture fixtures and equipment, less accumulated depreciation of \$234,094	-	444
Beneficial interest in assets held by others (Note 5 and 8)	581,737	522,672
Total other assets	581,737	523,116
<b>TOTAL ASSETS</b>	<b>\$ 743,201</b>	<b>\$ 561,144</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 151	\$ 736
Accrued expenses	181	5,080
Total Current Liabilities	332	5,816
<b>NET ASSETS</b>		
Unrestricted		
For Current Operations	394,806	226,129
Temporarily Restricted		
Donor Restricted (Note 6)	174,025	155,161
Permanently restricted		
Donor Restricted endowment funds (Note 6)	174,038	174,038
Total Net Assets	742,869	555,328
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 743,201</b>	<b>\$ 561,144</b>

See Accompanying Notes to Financial Statements

**OHIOANA LIBRARY ASSOCIATION**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017				2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUES:</b>								
State of Ohio budget appropriation	\$ 280,114	\$ -	\$ -	\$280,114	\$ 275,248	\$ -	\$ -	\$ 275,248
Contributions	139,748	-	-	139,748	29,878	-	-	29,878
Corporate contributions	31,453	-	-	31,453	26,095	-	-	26,095
Memberships and subscriptions	18,430	-	-	18,430	16,880	-	-	16,880
Grants	90,775	-	-	90,775	80,930	-	-	80,930
Miscellaneous	3,670	-	-	3,670	1,047	-	-	1,047
Change in value of beneficial interest in assets held by others (Note 7)	40,201	18,864	-	59,065	6,414	5,143	-	11,557
<b>TOTAL REVENUES</b>	<u>\$ 604,391</u>	<u>\$ 18,864</u>	<u>\$ -</u>	<u>\$623,255</u>	<u>\$ 436,492</u>	<u>\$ 5,143</u>	<u>\$ -</u>	<u>\$ 441,635</u>
<b>EXPENSES</b>								
Salaries	\$ 137,899	\$ -	\$ -	\$137,899	\$ 138,006	\$ -	\$ -	\$ 138,006
Rent	120,114	-	-	120,114	120,248	-	-	120,248
Printing and publishing	13,811	-	-	13,811	13,986	-	-	13,986
Payroll Taxes	10,665	-	-	10,665	10,604	-	-	10,604
Insurance - collection	6,674	-	-	6,674	4,321	-	-	4,321
Office and library supplies	874	-	-	874	1,892	-	-	1,892
Awards	11,000	-	-	11,000	7,000	-	-	7,000
Employee benefits	21,616	-	-	21,616	32,842	-	-	32,842
Repairs and maintenance	1,469	-	-	1,469	7,676	-	-	7,676
Postage	2,988	-	-	2,988	3,273	-	-	3,273
Professional Fees	32,257	-	-	32,257	10,382	-	-	10,382
Subscriptions and memberships	1,336	-	-	1,336	1,320	-	-	1,320
Telephone	-	-	-	-	1,551	-	-	1,551
Special events	63,072	-	-	63,072	73,722	-	-	73,722
Marketing and public relations	6,221	-	-	6,221	3,536	-	-	3,536
Depreciation	444	-	-	444	730	-	-	730
Travel and meetings	1,960	-	-	1,960	1,831	-	-	1,831
Fees	1,859	-	-	1,859	1,929	-	-	1,929
Micellaneous	1,455	-	-	1,455	243	-	-	243
<b>TOTAL EXPENSES</b>	<u>\$ 435,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$435,714</u>	<u>\$ 435,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,092</u>
Change in Net Assets	168,677	18,864	-	187,541	1,400	5,143	-	6,543
Net Assets at Beginning of Year	226,129	155,161	174,038	555,328	224,729	150,018	174,038	548,785
<b>Net Assets at End of Year</b>	<u>\$ 394,806</u>	<u>\$ 174,025</u>	<u>\$ 174,038</u>	<u>\$742,869</u>	<u>\$ 226,129</u>	<u>\$ 155,161</u>	<u>\$ 174,038</u>	<u>\$ 555,328</u>

See Accompanying Notes to Financial Statements

**OHIOANA LIBRARY ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Changes in Net Assets	\$ 187,541	\$ 6,543
Adjustments to reconcile changes in net assets to net cash provided from operating activities:		
Depreciation	444	730
Change in value of beneficial interest in assets held by others	(59,065)	(11,557)
Increase (decrease) in operating liabilities:		
Accounts Receivable	(10,000)	20,489
Accounts Payable	(585)	736
Accrued Expenses	(4,899)	-
Net cash provided by operating activities	<u>113,436</u>	<u>16,941</u>
<b>Cash Flows from Investing Activities:</b>		
Withdrawal from beneficial interest in assets held by others	-	3,181
Net cash provided by Investing Activities	<u>-</u>	<u>3,181</u>
Net change in cash and cash equivalents	113,436	20,122
Cash - beginning of year	<u>38,028</u>	<u>17,906</u>
<b>Cash - end of year</b>	<u>\$ 151,464</u>	<u>\$ 38,028</u>

See Accompanying Notes to Financial Statements

**OHIOANA LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - ORGANIZATION**

Ohioana Library Association ("Ohioana") was organized in 1929 to promote literature written by Ohioans or about Ohio. Ohioana Library is located on East First Avenue in Columbus, Ohio. Ohioana is a 501(c)(3) not-for-profit organization, and, although its support comes primarily from appropriations from the State of Ohio, Ohioana receives significant support from memberships, subscriptions, grants, and private donors.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

**Basis of Accounting**

The financial statements of Ohioana have been prepared on the accrual basis. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**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.

**Public Support and Revenue**

Unconditional promises to give are recorded as receivables and revenue when received. Ohioana distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Classification of Net Assets**

Ohioana reports information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted Net Assets - Unrestricted net assets are neither permanently nor temporarily restricted by donor-imposed stipulations and are available for use in Ohioana's ongoing operations.
- Temporarily Restricted Net Assets - Temporarily restricted net assets are limited as to use by donor-imposed stipulations that either expire by passage of time or may be fulfilled and removed by action of Ohioana pursuant to those stipulations.

**OHIOANA LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- Permanently Restricted Net Assets - Permanently restricted net assets are limited to use by donor-imposed stipulations that generally allow only the use of earnings for the stipulated purposes. The principal is generally not available for use.

**Membership**

Individuals may pledge support through payment of membership dues which entitle the member to certain benefits. Revenue from membership is recognized when received rather than over the life of the membership period.

**Furniture, Fixtures and Equipment**

Furniture, fixtures and equipment are carried at cost, less accumulated depreciation, computed on the straight-line method. Major renewals and betterments are capitalized and depreciated; maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income. Furniture, fixtures and equipment are depreciated over estimated useful lives from 3 to 10 years.

**Income Taxes**

Ohioana is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

Ohioana follows FASB guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Ohioana may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Ohioana, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At June 30, 2017, there were no material unrecognized tax benefits identified or recorded as liabilities.

Ohioana files Form 990 in the U.S. federal jurisdiction and the state of Ohio. Ohioana's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**Beneficial interest in assets held by others**

Ohioana follows ASC 815 which requires a not-for-profit that transfers assets to a community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred. Ohioana reflects its beneficial interest in the assets held by others as a long term asset on the Statement of Position.

**OHIOANA LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Changes in value are recorded in the statement of activities and changes in net assets.

**Collections**

The collections, which were acquired through purchases and contributions since Ohioana's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements.

**Subsequent Events**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 3, 2017, the date on which the financial statements were available to be issued.

**NOTE 3 – RETIREMENT PLAN**

As of July 1, 2015, Ohioana established a 401k plan for its employees. The plan covers substantially all employees. Ohioana's contributions to the plan for the years ended June 30, 2017 and 2016 were \$5,970 and \$6,758, respectively.

**NOTE 4 – COLLECTIONS**

Collections of Ohioana contain approximately 45,000 books by and about Ohioans, 10,000 pieces of published Ohio music and 22,000 biographical files on Ohio authors, composers and other artists, in addition to various special Ohio collections.

**NOTE 5 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

Effective December 7, 2005, Ohioana transferred its investment portfolio to the Columbus Foundation to establish funds for the benefit of Ohioana. These funds are classified as Beneficial Interest in Assets Held by Others in the Statement of Financial Position. Changes in value are recorded as changes in value of beneficial interest in assets held by others in the Statement of Activities and Changes in Net Assets for the years ended June 30, 2017 and 2016.

**OHIOANA LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 6 – NET ASSETS**

The details of Ohioana’s restricted net asset categories at June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Temporarily Restricted:		
Care of Mary Rogers library materials	\$ 7,671	\$ 6,834
Community Learning Experience for Ohio college students	54,998	50,184
Promoting children’s literature	11,457	9,131
Making the library collection available to the public	3,629	2,869
Purchase out of print books for the library collection	10,063	8,334
Expenses of Hamilton County Committee	8,590	6,984
Award for an Ohio author of children’s literature or for a lifetime contribution to children’s literature	16,083	14,675
Award for a published Ohio poet	61,534	56,150
Total Temporarily Restricted	<u>\$174,025</u>	<u>\$155,161</u>
Permanently Restricted:		
Endowment Funds	\$174,038	\$174,038
Total Permanently Restricted	<u>\$174,038</u>	<u>\$174,038</u>

**NOTE 7 – OPERATING LEASE OBLIGATIONS**

Ohioana subleases space from the State Library of Ohio, and the rent payments are made directly by the State Library through a line item in the budget of the State Library from the State of Ohio. This line item directly accounts for that portion of the rent due under the lease. The initial lease was for a two-year period beginning July 1, 2007 and was renewed for the period July 1, 2009 through June 30, 2023. The rental expense for the year ended June 30, 2017 and 2016 was \$120,114 and \$120,248, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	
2018	\$ 119,516
2019	119,516
2020	121,897
2021	121,897
2022	124,278
Thereafter	124,279
Total	<u>\$ 731,383</u>

**OHIOANA LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

<b>NOTE 8 – FAIR VALUE MEASUREMENTS</b>
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Ohioana follows the Accounting Standards Codification guidance regarding fair value measurements for all assets and liabilities that are being measured and reported at fair value. This guidance requires disclosure that establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements.

This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, Ohioana performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. For the year ended June 30, 2017, the application of fair value techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. The fair value of beneficial interest in funds held by other is based on the value of Ohioana's proportional share of the overall assets held by Columbus Foundation. These assets are not subject to the control or direction by Ohioana. Gains and losses, which are not distributed by the Columbus Foundation, are reflected as change in value of beneficial interest in the statement of activities and changes in net assets.

The table below presents the balances of assets measured at fair value on a recurring basis by level within that hierarchy as of June 30, 2017.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$581,737		\$581,737	



**OHIOANA LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

<b>NOTE 9 – ENDOWMENTS</b>
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Ohioana adopted the provisions of ASC 958, Section 205-50 ("FSP 117-1"), Reporting Endowment Funds. FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

Ohioana's endowment consists of individual funds established for a variety of purposes using donor-restricted endowment funds. Effective December 7, 2005 Ohioana transferred its board and donor designated investment portfolio to The Columbus Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of Ohioana has interpreted the Ohio UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Ohioana classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets. In accordance with UPMIFA, Ohioana considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments

**OHIOANA LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 9 – ENDOWMENTS - continued**

Endowment (permanently restricted) net asset compositions as of and for the year ended June 30, 2017 and 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$174,038		\$174,038	

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>
Endowment Funds, beginning of year	\$174,038	\$155,161	\$193,473
Changes in beneficial interest value		18,864	40,201
Endowment funds, end of year	<u>\$174,038</u>	<u>\$174,025</u>	<u>\$233,674</u>

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>
Endowment Funds, beginning of year	\$286,231	\$74,377	\$153,688
Reclassification to from Permanently Restricted Net Assets after review of gift documentation	(112,193)	75,641	36,552
Changes in beneficial interest value		5,143	6,414
Withdrawal from Endowment			(3,181)
Endowment funds, end of year	<u>\$174,038</u>	<u>\$155,161</u>	<u>\$193,473</u>

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor- restricted endowment funds may fall below the level that the donor or UPMIFA requires Ohioana to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of June 30, 2017 related to market fluctuation.

**OHIOANA LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 9 – ENDOWMENTS - continued**

Investment Strategies

For the assets held by The Columbus Foundation, investments are subject to The Columbus Foundation's investment strategies and policies. Ohioana receives annual allocations based on requests from Ohioana and available funds.

For the assets managed by an investment committee of the Board of Directors, the investment and policies strategy are managed by this committee. The investments are under the custodial management of Columbus Foundation as of June 30, 2017 and 2016.

**NOTE 10 – LINE OF CREDIT**

As of June 30, 2017 and 2016, pursuant to an agreement with PNC Bank, Ohioana had available a \$50,000 unsecured line of credit, none of which was outstanding at that date.

**NOTE 11 – FUNCTIONAL EXPENSE**

The costs of providing various programs and other activities are summarized on a functional basis as follows:

	<u>2017</u>	<u>2016</u>
Program Services	\$ 376,542	\$ 364,695
General and Administrative	59,172	70,397
Total	<u>\$ 435,714</u>	<u>\$ 435,092</u>