

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

With independent auditors' report

DECEMBER 31, 2018 AND 2017

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

Independent auditors' report	1 – 2
Statement of financial position	3
Statement of activities	4 – 5
Statement of functional expenses	6 – 7
Statement of cash flows	8
Notes to financial statements	9 – 16

Mark G. Mills
William M. Potoczak

Independent Auditors' Report

To the Board of Directors
Ohio Citizen Action Education Fund

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Citizen Action Education Fund (the "Organization") which comprise the statement 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 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 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, 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.

To the Board of Directors
Ohio Citizen Action Education Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, 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.

A handwritten signature in black ink, appearing to read "Arthur P. Kozicki". The signature is written in a cursive style with some capital letters.

Cleveland, Ohio
June 24, 2019

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 14,287	\$ 9,650
Grants receivable	500	-
Accounts receivable	500	-
Pledges receivable, net	<u>38,697</u>	<u>39,583</u>
Total current assets	53,984	49,233
Property and equipment, net	<u>12,589</u>	<u>13,016</u>
	<u>\$ 66,573</u>	<u>\$ 62,249</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 10,078	\$ 11,699
Accounts payable, affiliate	419	6,768
Accrued expenses	6,673	9,329
Notes payable, current portion	<u>10,000</u>	<u>7,000</u>
Total current liabilities	27,170	34,796
Long-term portion of notes payable	25,000	37,000
Net assets (deficit):		
Without donor restrictions	(18,680)	(13,547)
With donor restrictions	<u>33,083</u>	<u>4,000</u>
Total net assets (deficit)	<u>14,403</u>	<u>(9,547)</u>
	<u>\$ 66,573</u>	<u>\$ 62,249</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions	\$ 73,084		\$ 73,084
Grants	117,243	\$ 39,250	156,493
Indirect public support	500		500
Contract services	78,048		78,048
Net assets released from donor restrictions	10,167	(10,167)	-
	<u>279,042</u>	<u>29,083</u>	<u>308,125</u>
Expenses:			
Salary and related expenses	63,238		63,238
Operating expenses	45,680		45,680
Occupancy	14,281		14,281
Contract services	151,808		151,808
Professional fees	9,513		9,513
Pledge reserves	(345)		(345)
	<u>284,175</u>	<u></u>	<u>284,175</u>
Change in net assets	(5,133)	29,083	23,950
Net assets (deficit), beginning of period	<u>(13,547)</u>	<u>4,000</u>	<u>(9,547)</u>
Net assets (deficit), end of period	<u>\$ (18,680)</u>	<u>\$ 33,083</u>	<u>\$ 14,403</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions	\$ 92,250		\$ 92,250
Grants	78,450	\$ 21,200	99,650
Indirect public support	5,590		5,590
Contract services	4,000		4,000
Net assets released from donor restrictions	<u>65,000</u>	<u>(65,000)</u>	<u>-</u>
	245,290	(43,800)	201,490
Expenses:			
Salary and related expenses	83,179		83,179
Operating expenses	53,085		53,085
Occupancy	9,460		9,460
Contract services	58,000		58,000
Professional fees	6,074		6,074
Pledge reserves	<u>(527)</u>		<u>(527)</u>
	<u>209,271</u>		<u>209,271</u>
Change in net assets	36,019	(43,800)	(7,781)
Net assets (deficit), beginning of period	<u>(49,566)</u>	<u>47,800</u>	<u>(1,766)</u>
Net assets (deficit), end of period	\$ <u><u>(13,547)</u></u>	\$ <u><u>4,000</u></u>	\$ <u><u>(9,547)</u></u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	PROGRAM ACTIVITIES			SUPPORTING ACTIVITIES			Total
	Environment	Consumer	Total Program	Administrative	Fundraising	Supporting	
Salary and related expenses	\$ 33,235	\$ 16,617	\$ 49,852	\$	\$ 13,386	\$ 13,386	\$ 63,238
Operating expenses	11,353	5,676	17,029	22,872	5,779	28,651	45,680
Occupancy	7,140	3,571	10,711		3,570	3,570	14,281
Contract services	101,205	50,603	151,808				151,808
Professional fees	1,971	985	2,956	6,557		6,557	9,513
Pledge reserves	(184)	(92)	(276)		(69)	(69)	(345)
	<u>\$ 154,720</u>	<u>\$ 77,360</u>	<u>\$ 232,080</u>	<u>\$ 29,429</u>	<u>\$ 22,666</u>	<u>\$ 52,095</u>	<u>\$ 284,175</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES			SUPPORTING ACTIVITIES				Total
	Environment	Consumer	Program	Administrative	Fundraising	Supporting	Total	
Salary and related expenses	\$ 43,619	\$ 21,810	\$ 65,429	\$	\$ 17,750	\$ 17,750	\$ 83,179	
Operating expenses	11,529	5,764	17,293	28,634	7,158	35,792	53,085	
Occupancy	6,307	3,153	9,460	-	-	-	9,460	
Contract services	38,667	19,333	58,000	-	-	-	58,000	
Professional fees				6,074		6,074	6,074	
Pledge reserves	(281)	(141)	(422)		(105)	(105)	(527)	
	<u>\$ 99,841</u>	<u>\$ 49,919</u>	<u>\$ 149,760</u>	<u>\$ 34,708</u>	<u>\$ 24,803</u>	<u>\$ 59,511</u>	<u>\$ 209,271</u>	

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 23,950	\$ (7,781)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,927	
Change in assets and liabilities:		
Grants receivable	(500)	20,000
Accounts receivable	(500)	889
Pledges receivable	886	2,851
Accounts payable	(1,621)	2,366
Accounts payable, affiliate	(6,349)	2,650
Accrued expenses	<u>(2,656)</u>	<u>5</u>
Net cash provided by operations	<u>16,137</u>	<u>20,980</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(2,500)</u>	<u>(13,016)</u>
Net cash used by investing activities	<u>(2,500)</u>	<u>(13,016)</u>
Cash flows from financing activities:		
Debt repayments	<u>(9,000)</u>	<u>(1,000)</u>
Net cash used by financing activities	<u>(9,000)</u>	<u>(1,000)</u>
Increase in cash	4,637	6,964
Cash, beginning of period	<u>9,650</u>	<u>2,686</u>
Cash, end of period	<u>\$ 14,287</u>	<u>\$ 9,650</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1

BACKGROUND AND STRUCTURE OF THE ORGANIZATION

Ohio Citizen Action Education Fund (the "Organization") was incorporated in 1976 and has been granted non-profit status under Section 501(c)(3) of the Internal Revenue Code ("Code"). The Organization's activities include but are not limited to research, public education, and grassroots organizing on issues of industrial pollution, environmental health, and energy policy.

A significant portion of the Organization's revenue is derived from grants received from several private foundations and non-profit organizations, the renewal of which is uncertain. Contributions are generally received from individuals within Ohio.

The Organization's administrative headquarters is located at 614 W. Superior Avenue, Suite 1200, Cleveland, Ohio 44113.

Note 2

SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. The financial presentation follows FASB Financial Accounting Standards Codification ("ASC") 958, "*Presentation of Financial Statements of Not-for-Profit Entities*". Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Adoption of accounting standards update ("ASU") 2016-14

The Organization applied the requirements of the Financial Accounting Standards Board (the "FASB") issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, on a retrospective basis. Under the retrospective method, the guidance in this ASU has been applied as of the beginning of the earliest year presented. The adoption of this ASU did not result in any reclassifications or restatements and had no impact on the changes in the classes of net assets (net assets without donor restrictions, previously titled net assets unrestricted, and net assets with donor restrictions, previously titled net assets temporarily restricted) as of December 31, 2017.

Cash

The Organization maintains its cash balances at two financial institutions. The Federal Deposit Insurance Corporation insures the balances in the Organization's accounts up to \$250,000. The Organization had no uninsured cash balances at December 31, 2018 or 2017.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable are stated at cost less a reserve for credit losses, which management believes approximates fair value. Account balances are written off as uncollectible on a case-by-case basis, principally when the Organization has not received payment after exhausting all intended collection efforts. Management made no reserve for credit losses or wrote-off any account balances in 2018 or 2017. No interest is accrued on past due account balances, generally 30 days after invoice date.

Grants and contributions

Grants and contributions (promises to give) are recorded as made and are classified as either with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Grants with donor restrictions are reported as increases in net assets without donor restrictions if the donor restriction is satisfied in the same reporting period in which the revenue is recognized. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

Pledges receivable are stated at cost less a reserve for uncollectible pledges, which management estimates based on current and historical experience. This net amount approximates fair value. Management adjusts the balance of the pledge reserve each December 31. At December 31, 2018 and 2017 management estimated required pledge reserves to be \$2,070 and \$2,415, respectively. Management decreased pledge reserves by \$345 and \$527 in 2018 and 2017, respectively. No interest is accrued on past due balances, generally 30 days after the contributor's scheduled payment due date.

Indirect public support is comprised of donations made through Community Shares.

Property and equipment

Property and equipment purchased by the Organization are recorded at cost. Donated equipment is recorded at the estimated fair market value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets: vehicles – 5 years and office equipment 3 – 5 years. The Organization's policy is to capitalize any expenditures greater than \$500 that have a useful life of more than one year.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Code. This status is based upon information supplied to the Internal Revenue Service by the Organization.

The Organization charges interest and penalties assessed by tax authorities as incurred in the statement of activities. There were no income tax assessments made by tax authorities against the Organization during 2018 or 2017. At December 31, 2018 tax returns for the years ended December 31, 2015 onward are subject to examination by major tax jurisdictions.

Donated services and facilities

The Organization recognizes revenue equal to the amount of expenses and assets recognized for donated services and donated facilities that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No donated services or facilities were recognized by the Organization in 2018 or 2017.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

Functional expenses

For purposes of the Statement of Functional Expenses, those expenses directly attributable to a specific program or supporting activity are charged directly to that activity. Expenses that are attributable to more than one program or supporting activity are allocated as follows:

Salary and related expenses – estimated percentage of time and effort spent by each employee.

Operating and occupancy expenses – average estimated percentage of time spent by all employees.

Professional fees – estimated percentage of attributable benefit.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional expenses (continued)

Pledge reserves – average estimated time in communicating organizational campaign programs and goals in each contact with the citizens of the State of Ohio.

Recently issued accounting standard updates

In May 2014 the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), effective for the Organization’s annual reporting periods beginning after December 15, 2018. Management is in the process of evaluating this ASU and its impact on OCA’s reported financial condition, results of operations and cash flows is not yet known.

In February 2016 the FASB issued ASU No. 2016-02, *Leases* (Topic 842), effective for the Organization’s annual reporting periods beginning after December 15, 2019. Management is in the process of evaluating this ASU and its impact on the Organization’s reported financial condition, results of operations and cash flows is not yet known.

In June 2018 the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for the Organization’s annual reporting periods beginning after December 15, 2018. Management is in the process of evaluating this ASU and its impact on the Organization’s reported financial condition, results of operations and cash flows is not yet known.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets (principally the estimated collections of pledges receivable) and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 3 **PLEDGES RECEIVABLE**

The Organization accepts recurring pledges (pledges that remain in effect until canceled by the contributor) in addition to its non-recurring pledges. Individuals may elect to pay their pledge to the Organization in a single payment or in monthly or quarterly installments. Installments due by each quarter end based on each contributor's scheduled payment due date as of December 31 are as follows:

	2018	2017
March 31	\$ 11,684	\$ 11,910
June 30	10,003	10,496
September 30	9,360	9,720
December 31	9,720	9,872
	40,767	41,998
Less pledge reserves	(2,070)	(2,415)
	\$ 38,697	\$ 39,583

Note 4 **PROPERTY AND EQUIPMENT**

	2018	2017
Vehicles	\$ 15,516	\$ 13,016
Office equipment	27,741	27,741
	43,257	40,757
Less accumulated depreciation	(30,668)	(27,741)
	\$ 12,589	\$ 13,016

Note 5 **NOTES PAYABLE**

At December 31, 2018 the Organization has one note payable of \$35,000 that bears no interest and matures on December 31, 2021.

At December 31, 2017 the Organization had two notes payable totaling \$44,000. One of these notes payable in the amount of \$40,000 bears no interest and matures on December 31, 2021. The remaining note payable in the amount of \$4,000 matures on December 31, 2019 and bears no interest through December 13, 2018 and 13.24% from December 14, 2018 through December 31, 2019.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 5 **NOTES PAYABLE (CONTINUED)**

Each note payable described above is unsecured and owed to an OCA employee.

Minimum annual principal payments due under the notes payable at December 31, 2018 are \$10,000 in 2019; \$10,000 in 2020; and \$15,000 in 2021.

Note 6 **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31 are as follows:

	2018	2017
Program activities:		
Subject to expenditures for environment and consumer activities within one year	\$ 12,333	\$ 4,000
Subject to expenditures for property and equipment	20,750	
	\$ 33,083	\$ 4,000

Net assets with donor restrictions released by incurring environment and consumer expenditures and or through the passage of time is as follows for the year ended December 31, 2018 and 2017.

	2018	2017
Program activities:		
Subject to expenditures for environment and consumer activities within one year	\$ 10,167	\$ 65,000

Note 7 **RELATED PARTY TRANSACTIONS**

The Organization is affiliated with Ohio Citizen Action (OCA), a related party that is tax-exempt under Code Section 501(c)(4). Although it has a close working relationship with the Organization, OCA is separately incorporated and has its own Board of Directors.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 7

RELATED PARTY TRANSACTIONS (CONTINUED)

The Organization contracts with OCA to design, develop, and implement programs for grassroots organizing, public outreach and education on issues of concern to the Organization. Under the terms of the contract in effect for 2018, OCA can earn service fees of up to \$100 per field canvasser per day and up to \$50 per phone staff per hour. During 2017 OCA service fees were limited to \$250,000 based on fees of fees of \$100 per field canvasser per day and \$150 per phone canvasser per day. Contract service fees earned by OCA in 2018 were \$151,808 and covered 1,300 field canvassing days and 1,018 phone staff hours. In 2017 contract service fees earned by OCA were \$58,000 and covered 1,105 field and 50 phone canvassing days.

OCA acts as a common paymaster for the Organization and as such is responsible for paying salaries, payroll taxes (except for payroll taxes assessed by the Ohio Department of Job and Family Services), benefits and accounts payable on a reimbursement basis.

The Organization and OCA share office facilities, equipment, and personnel in performing daily activities. OCA charges the Organization for these office services, including rent, utilities, equipment and supplies usage, and personnel based on management estimates. Amounts charged by OCA for the years ended December 31, 2018 and 2017 were \$21,473 and \$20,107, respectively.

The Organization pays OCA financial management fees based on OCA management estimates of time incurred on the Organization's behalf. Amounts charged by OCA for the years ended December 31, 2018 and 2017 were \$22,872 and \$28,634 respectively.

The Organization pays OCA dues based on canvass contributions received. Dues paid to OCA during the years ended December 31, 2018 and 2017 were \$7,944 and \$11,750, respectively.

The Organization shares fund raising expenses with OCA. Amounts charged by OCA for the years ended December 31, 2018 and 2017 were \$5,779 and \$7,158, respectively.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8 **RESOURCE MANAGEMENT**

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

Cash	\$ 14,287
Accounts receivable	500
Grants receivable	500
Pledges receivable	<u>38,697</u>
	53,984
Less assets unavailable for general expenditures:	
Donor imposed restrictions to be satisfied in 2019	12,333
Donor imposed restrictions for the purchase of property and equipment	<u>20,750</u>
Assets available to meet cash needs for general use in 2019	<u>\$ 20,901</u>

The Organization is partially supported by donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner and or in a future period, the Organization must maintain sufficient resources to meet donor requirements.

The Organization's financial assets are not subject to either non-donor external or internal (Board of Directors) restrictions. The Organization principally relies on resources received in its continuing operations to liquidate its general operating expenses as they become due.

The Organization has no other available sources of liquidity.

Note 9 **SUBSEQUENT EVENTS**

Management has undertaken a review of events occurring subsequent to December 31, 2018 through the date the financial statements were available to be issued, June 24, 2019. Management has determined that no events occurring subsequent to December 31, 2018 required adjustment to amounts originally recorded or additional disclosures.