

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

With independent auditors' report

DECEMBER 31, 2016 AND 2015

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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.

Arthur, Robert & Company

Cleveland, Ohio
July 27, 2017

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash	\$ 2,686	\$ 1,275
Grants receivable	20,000	1,000
Accounts receivable	889	-
Pledges receivable	42,434	44,085
Prepaid expenses and other	-	754
	<hr/>	<hr/>
Total current assets	66,009	47,114
Property and equipment:		
Furniture and equipment	27,741	29,287
Less accumulated depreciation	(27,741)	(29,287)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
	\$ <u>66,009</u>	\$ <u>47,114</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 9,333	\$ 8,832
Accounts payable, affiliate	4,118	14,757
Accrued expenses	9,324	9,636
Notes payable	45,000	51,800
	<hr/>	<hr/>
Total current liabilities	67,775	85,025
Net assets (deficit):		
Unrestricted	(49,566)	(41,561)
Temporarily restricted	47,800	3,650
	<hr/>	<hr/>
Total net assets (deficit)	(1,766)	(37,911)
	<hr/>	<hr/>
	\$ <u>66,009</u>	\$ <u>47,114</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support:			
Contributions	\$ 92,504		\$ 92,504
Grants	171,083	\$ 121,500	292,583
Indirect public support	3,724		3,724
Other	1,705		1,705
Net assets released from restrictions	77,350	(77,350)	-
	346,366	44,150	390,516
Expenses:			
Compensation	112,859		112,859
Operating expenses	64,458		64,458
Occupancy	12,183		12,183
Contract services	155,615		155,615
Professional fees	6,314		6,314
Pledge reserves	2,942		2,942
	354,371		354,371
Change in net assets	(8,005)	44,150	36,145
Net assets (deficit), beginning of period	(41,561)	3,650	(37,911)
Net assets (deficit), end of period	\$ (49,566)	\$ 47,800	\$ (1,766)

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support:			
Contributions	\$ 79,497		\$ 79,497
Grants	120,037	\$ 44,000	164,037
Indirect public support	7,182		7,182
Other	4,500		4,500
Net assets released from restrictions	<u>85,267</u>	<u>(85,267)</u>	<u>-</u>
	296,483	(41,267)	255,216
Expenses:			
Compensation	104,637		104,637
Operating expenses	59,028		59,028
Occupancy	10,080		10,080
Contract services	89,500		89,500
Professional fees	5,005		5,005
Pledge reserves	<u>-</u>		<u>-</u>
	<u>268,250</u>		<u>268,250</u>
Change in net assets	28,233	(41,267)	(13,034)
Net assets (deficit), beginning of period	<u>(69,794)</u>	<u>44,917</u>	<u>(24,877)</u>
Net assets (deficit), end of period	\$ <u><u>(41,561)</u></u>	\$ <u><u>3,650</u></u>	\$ <u><u>(37,911)</u></u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	<u>Environment Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation	\$ 95,380		\$ 17,479	\$ 112,859
Operating expenses	23,802	\$ 33,207	7,449	64,458
Occupancy	12,183			12,183
Contract services	155,615			155,615
Professional fees	750	5,564		6,314
Pledge reserves	<u>2,354</u>		<u>588</u>	<u>2,942</u>
	<u>\$ 290,084</u>	<u>\$ 38,771</u>	<u>\$ 25,516</u>	<u>\$ 354,371</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Environment Program	General and Administrative	Fundraising	Total Expenses
Compensation	\$ 87,304		\$ 17,333	\$ 104,637
Operating expenses	20,972	\$ 30,806	7,250	59,028
Occupancy	10,080			10,080
Contract services	89,500			89,500
Professional fees		5,005		5,005
Pledge reserves				-
	<u>\$ 207,856</u>	<u>\$ 35,811</u>	<u>\$ 24,583</u>	<u>\$ 268,250</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 36,145	\$ (13,034)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Grants receivable	(19,000)	29,000
Accounts receivable	(889)	-
Pledges receivable	1,651	3,875
Prepaid expenses and other	754	(754)
Accounts payable	501	1,433
Accounts payable, affiliate	(10,639)	(5,864)
Accrued expenses	(312)	(1,138)
	<u>8,211</u>	<u>13,518</u>
Net cash provided by operating activities		
Cash flows from financing activities:		
Proceeds from borrowings	5,000	-
Repay borrowings	(11,800)	(14,000)
	<u>(6,800)</u>	<u>(14,000)</u>
Net cash used by financing activities		
Net increase (decrease) in cash	1,411	(482)
Cash, beginning of period	<u>1,275</u>	<u>1,757</u>
Cash, end of period	\$ <u><u>2,686</u></u>	\$ <u><u>1,275</u></u>
Supplemental disclosure:		
Cash paid for interest	\$ <u><u>672</u></u>	\$ <u><u>635</u></u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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, "*Not-for-Profit Entities*". Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions, including unconditional promises to give, and grants are recorded as made. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restriction is satisfied in the reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor's restriction. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no permanently restricted contributions or grants for the years ended December 31, 2016 or 2015.

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

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

The Organization maintains its cash balances at one financial institution. 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, 2016 or 2015.

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 2016 or 2015. No interest is accrued on past due account balances, generally 30 days after invoice date.

Pledges receivable

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, 2016 management estimated required pledge reserves to be \$2,942 and increased pledge reserves by the same amount in 2016. At December 31, 2015 management determined that no reserve was required and made no adjustment to the pledge reserve in 2015. No interest is accrued on past due balances, generally 30 days after the contributor's scheduled payment due date.

Property and equipment

Furniture 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. Furniture and equipment are depreciated over three to five years on a straight-line method. 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, 2016 AND 2015

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 2016 and 2015. At December 31, 2016 tax returns for the years ended December 31, 2013 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 2016 and 2015.

Functional expenses

Costs of providing various programs and supporting services are allocated based on specific identification, if practical, or management's estimates.

Recently issued accounting standard updates

In May 2014 the Financial Accounting Standards Board (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. 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. In August 2016 the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*, effective for the Organization's annual reporting periods beginning after December 15, 2017. Management is in the process of evaluating these ASU's and their impact on the Organization's reported financial condition, results of operations and cash flows is not yet known.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 2 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 from those estimates.

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:

	<u>2016</u>	<u>2015</u>
March 31	\$ 12,088	\$ 13,232
June 30	11,777	10,487
September 30	10,364	9,871
December 31	<u>11,147</u>	<u>10,495</u>
	45,376	44,085
Less pledge reserves	<u>(2,942)</u>	<u>-</u>
	<u>\$ 42,434</u>	<u>\$ 44,085</u>

Note 4 **NOTES PAYABLE**

At December 31, 2016 the Organization has two notes payable maturing on December 31, 2017 in the aggregate amount of \$45,000 bearing interest at rates ranging from 0% to 14.74% (effective November 9, 2017 through December 31, 2017). During 2016, the maturity date for one note in the amount of \$40,000 was extended to December 31, 2017.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 6

RELATED PARTY TRANSACTIONS (CONTINUED)

The contract was amended in 2016 to provide for OCA to earn up to \$250,000 (previously \$150,000). The amended contract retains the maximum service fee for field canvassers at \$100 per canvasser day and incorporates a maximum service fee for phone canvasses at \$150 per canvasser day, both subject to the mutual agreement of the Board of Directors of OCA and the Organization. Contract service fees earned by OCA as mutually agreed to by each organization's Board of Directors in 2016 were \$148,000 and covered 2,778 and 120 field (non-lobbying) and phone canvassing days, respectively. In 2015 contract service fees earned by OCA were \$89,500 and covered 2,178 non lobbying field canvassing days and 140 phone canvassing hours.

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, 2016 and 2015 were \$27,180 and \$21,480, 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, 2016 and 2015 were \$33,207 and \$30,806 respectively.

The Organization pays OCA dues based on canvass contributions received. Dues paid to OCA during the years ended December 31, 2016 and 2015 were \$11,536 and \$14,776, respectively.

The Organization shares fund raising expenses with OCA. Amounts charged by OCA for the years ended December 31, 2016 and 2015 were \$7,449 and \$7,250, respectively.

During 2016 the Organization contracted OCA to organize and hold a public event related to clean energy standards. Fees earned by OCA under this contract were \$7,615.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 7

SUBSEQUENT EVENTS

Management has undertaken a review of events occurring subsequent to December 31, 2016 through the date the financial statements were available to be issued, July 27, 2017. Management has determined that no events occurring subsequent to December 31, 2016 required adjustment to amounts originally recorded or additional disclosures.