

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

With independent auditors' report

DECEMBER 31, 2017 AND 2016

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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, 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.

Miller, Potoczki & Company

Cleveland, Ohio
September 4, 2018

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 9,650	\$ 2,686
Grants receivable	-	20,000
Accounts receivable	-	889
Pledges receivable, net	<u>39,583</u>	<u>42,434</u>
Total current assets	49,233	66,009
Property and equipment:		
Property and equipment	40,757	27,741
Less accumulated depreciation	<u>(27,741)</u>	<u>(27,741)</u>
	<u>13,016</u>	<u>-</u>
	<u>\$ 62,249</u>	<u>\$ 66,009</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 11,699	\$ 9,333
Accounts payable, affiliate	6,768	4,118
Accrued expenses	9,329	9,324
Notes payable, current portion	<u>7,000</u>	<u>45,000</u>
Total current liabilities	34,796	67,775
Long-term portion of notes payable	37,000	-
Net assets (deficit):		
Unrestricted	(13,547)	(49,566)
Temporarily restricted	<u>4,000</u>	<u>47,800</u>
Total deficit	<u>(9,547)</u>	<u>(1,766)</u>
	<u>\$ 62,249</u>	<u>\$ 66,009</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support:			
Contributions	\$ 92,250		\$ 92,250
Grants	78,450	\$ 21,200	99,650
Indirect public support	5,590		5,590
Other	4,000		4,000
Net assets released from 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 asset (deficit), beginning of period	<u>(49,566)</u>	<u>47,800</u>	<u>(1,766)</u>
Net asset (deficit), end of period	<u>\$ (13,547)</u>	<u>\$ 4,000</u>	<u>\$ (9,547)</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:			
Salary and related expenses	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 asset (deficit), beginning of period	(41,561)	3,650	(37,911)
Net asset (deficit), end of period	\$ (49,566)	\$ 47,800	\$ (1,766)

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES			General and Administrative	Fundraising	Total Expenses
	Environment	Consumer	Total Program			
Salary and related expenses	\$ 43,619	\$ 21,810	\$ 65,429	\$	\$ 17,750	\$ 83,179
Operating expenses	11,529	5,764	17,293	28,634	7,158	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
Pledge reserves	(281)	(141)	(422)		(105)	(527)
	<u>\$ 99,841</u>	<u>\$ 49,919</u>	<u>\$ 149,760</u>	<u>\$ 34,708</u>	<u>\$ 24,803</u>	<u>\$ 209,271</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES			General and Administrative	Fundraising	Total Expenses
	Environment	Consumer	Total Program			
Salary and related expenses	\$ 95,380	\$	95,380	\$	17,479	\$ 112,859
Operating expenses	23,802		23,802	33,207	7,449	64,458
Occupancy	12,183		12,183			12,183
Contract services	155,615		155,615	5,564		155,615
Professional fees	750		750			6,314
Pledge reserves	2,354		2,354		588	2,942
	<u>\$ 290,084</u>	<u>\$ -</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 CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (7,781)	\$ 36,145
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Grants receivable	20,000	(19,000)
Accounts receivable	889	(889)
Pledges receivable	2,851	1,651
Prepaid expenses and other	-	754
Accounts payable	2,366	501
Accounts payable, affiliate	2,650	(10,639)
Accrued expenses	5	(312)
Net cash provided by operations	<u>20,980</u>	<u>8,211</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(13,016)</u>	<u>-</u>
Net cash used by investing activities	<u>(13,016)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from borrowings	-	5,000
Repay borrowings	<u>(1,000)</u>	<u>(11,800)</u>
Net cash used by financing activities	<u>(1,000)</u>	<u>(6,800)</u>
Increase in cash	6,964	1,411
Cash, beginning of period	<u>2,686</u>	<u>1,275</u>
Cash, end of period	<u>\$ 9,650</u>	<u>\$ 2,686</u>
Supplemental disclosures:		
Interest paid	<u>\$ -</u>	<u>\$ 672</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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, 2017 or 2016.

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

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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, 2017 or 2016.

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 2017 or 2016. 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, 2017 and 2016 management estimated required pledge reserves to be \$2,415 and \$2,942, respectively. Management decreased pledge reserves by \$527 and increased pledge reserves by \$2,942 in 2017 and 2016, respectively. No interest is accrued on past due balances, generally 30 days after the contributor's scheduled payment due date.

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. Property 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, 2017 AND 2016

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 2017 or 2016. At December 31, 2017 tax returns for the years ended December 31, 2014 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 2017 or 2016.

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. 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.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting standard updates (continued)

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 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 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:

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 3 **PLEDGES RECEIVABLE (CONTINUED)**

	2017	2016
March 31	\$ 11,910	\$ 12,088
June 30	10,496	11,777
September 30	9,720	10,364
December 31	9,872	11,147
	41,998	45,376
Less pledge reserves	(2,415)	(2,942)
	\$ 39,583	\$ 42,434

Note 4 **NOTES PAYABLE**

At December 31, 2017 the Organization has two notes payable totaling \$44,000. One of these notes payable in the amount of \$40,000 bears interest at zero percent and matures on December 31, 2021. The remaining note payable in the amount of \$4,000 matures on December 31, 2019 and bears interest at 0% through December 13, 2018 and 13.24% from December 14, 2018 through December 31, 2019.

At December 31, 2016 the Organization had 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). In December 2017 one note payable was amended to mature on December 31, 2021 and the second note payable was amended to mature on December 31, 2019.

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, 2017 are \$7,000 in 2018; \$12,000 in 2019; \$10,000 in 2020; and \$15,000 in 2021.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 5 **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Environment	\$ 4,000	\$ 47,800
	<u>\$ 4,000</u>	<u>\$ 47,800</u>

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by the donor is as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Environment	\$ 65,000	\$ 77,350
	<u>\$ 65,000</u>	<u>\$ 77,350</u>

Note 6 **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.

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, OCA can earn service fees of up to \$250,000 each year based on fees of \$100 per field canvasser per day and \$150 per phone canvasser per day 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 2017 were \$58,000 and covered 1,105 and 50 field and phone canvassing days, respectively. In 2016 contract service fees earned by OCA were \$148,000 and covered 2,778 field and 120 phone canvassing days.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 6

RELATED PARTY TRANSACTIONS (CONTINUED)

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, 2017 and 2016 were \$20,107 and \$27,180, 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, 2017 and 2016 were \$28,634 and \$33,207 respectively.

The Organization pays OCA dues based on canvass contributions received. Dues paid to OCA during the years ended December 31, 2017 and 2016 were \$11,750 and \$11,536, respectively.

The Organization shares fund raising expenses with OCA. Amounts charged by OCA for the years ended December 31, 2017 and 2016 were \$7,158 and \$7,449, 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.

Note 7

SUBSEQUENT EVENTS

Management has undertaken a review of events occurring subsequent to December 31, 2017 through the date the financial statements were available to be issued, September 4, 2018. Management has determined that no events occurring subsequent to December 31, 2017 required adjustment to amounts originally recorded or additional disclosures.