

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

With independent auditors' report

DECEMBER 31, 2020 AND 2019

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Mt. Potosi; Company
Cleveland, Ohio
September 3, 2021

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 43,458	\$ 5,963
Grants receivable	-	15,000
Accounts receivable	27,380	-
Accounts receivable, affiliate	1,403	-
Pledges receivable, net	<u>45,242</u>	<u>42,342</u>
Total current assets	117,483	63,305
Property and equipment, net	<u>27,154</u>	<u>27,336</u>
	<u>\$ 144,637</u>	<u>\$ 90,641</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 19,724	\$ 6,735
Accounts payable, affiliate	-	1,200
Accrued expenses	18,416	12,539
Deferred contract service revenues	5,000	-
Note payable, current portion	<u>15,000</u>	<u>10,000</u>
Total current liabilities	58,140	30,474
Long-term portion of note payable	-	15,000
PPP loan	20,300	-
Net assets (deficit):		
Without donor restrictions	(47,200)	23,390
With donor restrictions	<u>113,397</u>	<u>21,777</u>
Total net assets	<u>66,197</u>	<u>45,167</u>
	<u>\$ 144,637</u>	<u>\$ 90,641</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support:			
Contributions	\$ 94,395		\$ 94,395
Grants	416,200	\$ 110,000	526,200
Indirect public support	-		-
Contract services	23,500		23,500
Net assets released from donor restrictions	<u>18,380</u>	<u>(18,380)</u>	<u>-</u>
	552,475	91,620	644,095
Expenses:			
Salary and related expenses	192,631		192,631
Operating expenses	155,823		155,823
Occupancy	25,719		25,719
Contract services	229,288		229,288
Professional fees	19,604		19,604
Pledge reserves	<u>-</u>		<u>-</u>
	<u>623,065</u>		<u>623,065</u>
Change in net assets	(70,590)	91,620	21,030
Net assets, beginning of period	<u>23,390</u>	<u>21,777</u>	<u>45,167</u>
Net assets (deficit), end of period	<u>\$ (47,200)</u>	<u>\$ 113,397</u>	<u>\$ 66,197</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support:			
Contributions	\$ 84,741		\$ 84,741
Grants	158,677	\$ 195,000	353,677
Indirect public support	304		304
Contract services	-		-
Net assets released from donor restrictions	<u>206,306</u>	<u>(206,306)</u>	<u>-</u>
	450,028	(11,306)	438,722
Expenses:			
Salary and related expenses	151,525		151,525
Operating expenses	103,039		103,039
Occupancy	16,337		16,337
Contract services	118,808		118,808
Professional fees	18,720		18,720
Pledge reserves	<u>(471)</u>		<u>(471)</u>
	<u>407,958</u>		<u>407,958</u>
Change in net assets	42,070	(11,306)	30,764
Net assets (deficit), beginning of period	<u>(18,680)</u>	<u>33,083</u>	<u>14,403</u>
Net assets, end of period	<u>\$ 23,390</u>	<u>\$ 21,777</u>	<u>\$ 45,167</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	SUPPORTING ACTIVITIES			Total
	PROGRAM ACTIVITIES	Administrative	Fundraising	
	Energy			Total
Salary and related expenses	\$ 159,419	\$ 33,212	\$ 33,212	\$ 192,631
Operating expenses	95,235	5,644	60,588	155,823
Occupancy	19,289	6,430	6,430	25,719
Contract services	229,288			229,288
Professional fees	11,158	8,446	8,446	19,604
Pledge reserves			-	-
	<u>\$ 514,389</u>	<u>\$ 63,390</u>	<u>\$ 45,286</u>	<u>\$ 623,065</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

PROGRAM ACTIVITIES	SUPPORTING ACTIVITIES			Total	
	Energy	Administrative	Fundraising		Supporting
Salary and related expenses	\$ 137,320	\$	14,205 \$	14,205 \$	151,525
Operating expenses	67,364 \$	29,268	6,407	35,675	103,039
Occupancy	12,253		4,084	4,084	16,337
Contract services	118,808				118,808
Professional fees	11,615	7,105		7,105	18,720
Pledge reserves	(377)		(94)	(94)	(471)
	<u>\$ 346,983 \$</u>	<u>36,373 \$</u>	<u>24,602 \$</u>	<u>60,975 \$</u>	<u>407,958</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 21,030	\$ 30,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,002	6,319
Change in assets and liabilities:		
Grants receivable	15,000	(14,500)
Accounts receivable	(27,380)	500
Pledges receivable	(2,900)	(3,645)
Accounts payable	12,989	(3,343)
Amounts due to / from affiliate	(2,603)	781
Accrued expenses	5,877	5,866
Deferred contract revenues	<u>5,000</u>	<u>-</u>
Net cash provided by operations	<u>36,015</u>	<u>22,742</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(8,820)</u>	<u>(21,066)</u>
Net cash used by investing activities	<u>(8,820)</u>	<u>(21,066)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	20,300	-
Debt repayments	<u>(10,000)</u>	<u>(10,000)</u>
Net cash provided (used) by financing activities	<u>10,300</u>	<u>(10,000)</u>
Increase (decrease) in cash	37,495	(8,324)
Cash, beginning of period	<u>5,963</u>	<u>14,287</u>
Cash, end of period	<u>\$ 43,458</u>	<u>\$ 5,963</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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. The Organization also conducts certain of its activities under the name of the Ohio Consumers Power Alliance.

A significant portion of the Organization's support 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 during 2020 was relocated to 1511 Brookpark Road, Cleveland, Ohio 44109.

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.

Recently issued accounting standard updates

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, 2021. 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.

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, 2020 or 2019.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 2020 or 2019. No interest is accrued on past due account balances, generally 30 days after invoice 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. Depreciation is computed on the straight-line method over the estimated useful lives of the assets: vehicles 4 – 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.

Support recognition

Unconditional promises to give

Grants and contributions (pledges) 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 and contributions with donor restrictions including contributions that were initially reported as conditional promises to give are reported as increases in net assets without donor restrictions if the donor condition and / or restriction is satisfied in the same reporting period in which the support 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.

During 2020 and 2019 the Organization received 76% and 78%, respectively, of its grant support on a fully funded basis from 3 sources.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support recognition (continued)

Unconditional promises to give (continued)

Unconditional promises to give are stated at the amount promised less a reserve for uncollectible promises, which management estimates based on current and historical experiences. This net amount approximates fair value. Management adjusts the balance of the reserve each December 31. At December 31, 2020 and 2019 management estimated required pledge reserves to be \$1,599. Management made no adjustment to the pledge reserves in 2020 and decreased pledge reserves by \$471 in 2019. No interest is accrued on past due balances, generally 30 days after the contributor's scheduled payment due date.

Pledges receivable are comprised of individual pledges with no one individuals' pledge representing a significant concentration (10%) of total pledges receivable at December 31, 2020 and 2019.

Conditional promises to give

Conditional promises to give represent promises for the transfer of funds in which the Organization must overcome a barrier(s), such as (1) the occurrence of an identified event, (2) achieving a specific performance metric, or (3) complying with discretionary limits imposed in the agreement, before the Organization becomes entitled to the promise to transfer funds or funds already transferred. Conditional promises for which funds have been transferred to the Organization prior to the Organization overcoming the barrier are recognized in the statement of financial position as refundable advances. Conditional promises to give for which the Organization has overcome the imposed barrier are recognized as unconditional promises to give with or without donor restrictions dependent on the terms of the agreement.

Indirect public support is comprised of contributions made through Community Shares and are recognized as support when contributions are received.

Donated services and facilities

The Organization recognizes support 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 2020 or 2019.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support recognition (continued)

Revenue recognition

The Organization is at times engaged to provide specific project services, typically field and/or phone canvassing, principally under fixed priced or not to exceed contracts with varying lengths, but typically under six months at initial contract acceptance. The Organization does not incur any significant incremental costs to obtain a contract nor does it offer contracts which include any significant financing component or provide for discounts. The Organization recognizes revenue from its contracts (contract services) over time, generally as time is incurred. Costs to fulfill a contract generally include subcontract costs such as professional fees and contract services which are incurred and expensed at the time services are performed. The Organization's indirect and administrative costs such as compensation and benefits are expensed as incurred. At December 31, 2020 the Organization had a single incomplete contract and had no incomplete contracts at December 31, 2019.

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.

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

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.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

Income taxes (continued)

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 2020 or 2019. At December 31, 2020 tax returns for the years ended December 31, 2017 onward are subject to examination by major tax jurisdictions.

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 classification and estimated collections of promises to give) 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.

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>2020</u>	<u>2019</u>
March 31	\$ 13,247	\$ 13,919
June 30	14,249	10,381
September 30	9,776	9,745
December 31	<u>9,569</u>	<u>9,896</u>
	46,841	43,941
Less pledge reserves	<u>(1,599)</u>	<u>(1,599)</u>
	<u>\$ 45,242</u>	<u>\$ 42,342</u>

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4 **PROPERTY AND EQUIPMENT**

	2020	2019
Vehicles	\$ 41,302	\$ 36,582
Office equipment	31,841	27,741
	73,143	64,323
Less accumulated depreciation	(45,989)	(36,987)
	\$ 27,154	\$ 27,336

Note 5 **NOTES PAYABLE**

At December 31, 2020 and 2019 the Organization had a single unsecured note payable to an OCA employee with an outstanding balance of \$15,000 and \$25,000 at December 31, 2020 and 2019, respectively. This note payable bears no interest and matures on December 31, 2021. Minimum annual principal payments due under this note payable at December 31, 2020 are \$15,000 in 2021.

On February 25, 2021 the Organization received notification from its bank that the Small Business Administration forgave its PPP loan in the amount of \$20,300.

Note 6 **NET ASSETS WITH DONOR RESTRICTIONS**

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

	2020	2019
Program activities:		
Subject to expenditures for energy activities within one year	\$ 91,487	\$ 6,777
Subject to expenditures for property and equipment	21,910	15,000
	\$ 113,397	\$ 21,777

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 6 **NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets with donor restrictions released by incurring energy expenditures, property and equipment acquisitions, and or through the passage of time is as follows for the year ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Program activities:		
Subject to expenditures for energy activities within one year	\$ 15,290	\$ 185,556
Subject to expenditures for property and equipment	<u>3,090</u>	<u>20,750</u>
	<u>\$ 18,380</u>	<u>\$ 206,306</u>

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.

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 \$150 per field canvasser per day and up to \$50 per phone staff per hour. Contract service fees earned by OCA in 2020 were \$228,288 and covered 320 field canvassing days and 3,606 phone staff hours. In 2019 contract service fees earned by OCA were \$118,808 and covered 904 field canvassing days and 69 phone staff 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.

1 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, 2020 and 2019 were \$41,256 and \$25,817, respectively.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 7 **RELATED PARTY TRANSACTIONS (CONTINUED)**

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, 2020 and 2019 were \$54,944 and \$29,268, respectively.

The Organization pays OCA dues based on canvass contributions received. Dues paid to OCA during the years ended December 31, 2020 and 2019 were \$6,797 and \$6,209, respectively.

The Organization shares fund raising expenses with OCA. Amounts charged by OCA for the years ended December 31, 2020 and 2019 were \$5,644 and \$6,408, respectively.

Effective April 1, 2020 OCA increased its shared facility and financial management cost allocations to the Organization. As a result, the Organization incurred additional expenses of approximately \$37,000 in 2020.

Note 8 **RESOURCE MANAGEMENT**

The following summarizes the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use within the following year because of donor-imposed restrictions.

Cash	\$ 43,458
Accounts receivable	27,380
Pledges receivable	<u>45,242</u>
	116,080
Less assets unavailable for general expenditures:	
Donor imposed restrictions to be satisfied in 2021	91,487
Donor imposed restrictions for the purchase of property and equipment	<u>21,910</u>
Assets available to meet cash needs for general use	<u>\$ 2,683</u>

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 8 **RESOURCE MANAGEMENT (CONTINUED)**

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, 2020 through the date the financial statements were available to be issued, September 3, 2021. Management has determined that no events occurring subsequent to December 31, 2020 required adjustment to amounts originally recorded or additional disclosures.