

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

With independent auditors' report

DECEMBER 31, 2022 AND 2021

OHIO CITIZEN ACTION EDUCATION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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Mark G. Mills
William M. Potoczak

Independent Auditors' Report

To the Board of Directors
Ohio Citizen Action Education Fund

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
Ohio Citizen Action Education Fund

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

M. L. Lotoczki Company

Cleveland, Ohio
September 1, 2023

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 32,848	\$ 14,992
Accounts receivable, affiliate	-	4,940
Pledges receivable, net	41,062	39,748
Grant receivable	<u>75,000</u>	<u>-</u>
Total current assets	148,910	59,680
Property and equipment, net	<u>8,456</u>	<u>17,782</u>
	<u>\$ 157,366</u>	<u>\$ 77,462</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 5,524	\$ 8,296
Accounts payable, affiliate	25,749	-
Accrued expenses	14,354	17,369
Note payable, current portion	<u>-</u>	<u>10,000</u>
Total current liabilities	45,627	35,665
Net assets (deficit):		
Without donor restrictions	(33,261)	(99,645)
With donor restrictions	<u>145,000</u>	<u>141,442</u>
Total net assets	<u>111,739</u>	<u>41,797</u>
	<u>\$ 157,366</u>	<u>\$ 77,462</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support:			
Contributions	\$ 82,567		\$ 82,567
Grants	114,500	\$ 305,000	419,500
Contract services	-		-
PPP loan forgiveness	-		-
Other	-		-
Net assets released from donor restrictions	<u>301,442</u>	<u>(301,442)</u>	<u>-</u>
	498,509	3,558	502,067
Expenses:			
Salary and related expenses	153,757		153,757
Operating expenses	89,089		89,089
Occupancy	22,358		22,358
Contract services	154,713		154,713
Professional fees	10,459		10,459
Pledge reserves	<u>1,749</u>		<u>1,749</u>
	<u>432,125</u>		<u>432,125</u>
Change in net assets	66,384	3,558	69,942
Net assets (deficit), beginning of period	<u>(99,645)</u>	<u>141,442</u>	<u>41,797</u>
Net assets (deficit), end of period	<u>\$ (33,261)</u>	<u>\$ 145,000</u>	<u>\$ 111,739</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Contributions	\$ 82,971		\$ 82,971
Grants	18,000	\$ 365,000	383,000
Contract services	5,000		5,000
PPP loan forgiveness	20,300		20,300
Other	184		184
Net assets released from donor restrictions	<u>336,955</u>	<u>(336,955)</u>	<u>-</u>
	463,410	28,045	491,455
Expenses:			
Salary and related expenses	178,752		178,752
Operating expenses	129,320		129,320
Occupancy	26,524		26,524
Contract services	149,550		149,550
Professional fees	31,709		31,709
Pledge reserves	<u>-</u>		<u>-</u>
	<u>515,855</u>		<u>515,855</u>
Change in net assets	(52,445)	28,045	(24,400)
Net assets (deficit), beginning of period	<u>(47,200)</u>	<u>113,397</u>	<u>66,197</u>
Net assets (deficit), end of period	<u>\$ (99,645)</u>	<u>\$ 141,442</u>	<u>\$ 41,797</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	PROGRAM ACTIVITIES			SUPPORTING ACTIVITIES			Total
	Energy	Voter Education	Total Program	Administrative	Fundraising	Supporting	
Salary and related expenses	\$ 88,695	\$ 23,365	\$ 112,060	\$	\$ 41,697	\$ 41,697	\$ 153,757
Operating expenses	21,181	5,580	26,761	57,338	4,990	62,328	89,089
Occupancy	13,272	3,497	16,769		5,589	5,589	22,358
Contract services	122,378	32,335	154,713				154,713
Professional fees				10,459		10,459	10,459
Pledge reserves	1,107	292	1,399		350	350	1,749
	<u>\$ 246,633</u>	<u>\$ 65,069</u>	<u>\$ 311,702</u>	<u>\$ 67,797</u>	<u>\$ 52,626</u>	<u>\$ 120,423</u>	<u>\$ 432,125</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	PROGRAM ACTIVITIES			SUPPORTING ACTIVITIES			Total
	Energy	Voter Education	Total Program	Administrative	Fundraising	Total Supporting	
Salary and related expenses	\$ 143,526	\$ -	143,526	\$ -	35,226	\$ 35,226	178,752
Operating expenses	48,977		48,977	74,702	5,641	80,343	129,320
Occupancy	19,893		19,893		6,631	6,631	26,524
Contract services	149,550		149,550				149,550
Professional fees	24,050		24,050	7,659		7,659	31,709
Pledge reserves			-			-	-
	\$ 385,996	\$ -	385,996	\$ 82,361	\$ 47,498	\$ 129,859	\$ 515,855

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 69,942	\$ (24,400)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,326	9,372
PPP loan forgiveness	-	(20,300)
Change in assets and liabilities:		
Grants receivable	(75,000)	-
Accounts receivable	-	27,380
Pledges receivable	(1,314)	5,494
Accounts payable	(2,772)	(11,428)
Amounts due to / from affiliate	30,689	(3,537)
Accrued expenses	(3,015)	(1,047)
Deferred contract revenues	-	(5,000)
	<u>27,856</u>	<u>(23,466)</u>
Net cash provided (used) by operations		
Cash flows from financing activities:		
Debt proceeds	-	5,000
Debt repayments	(10,000)	(10,000)
	<u>(10,000)</u>	<u>(5,000)</u>
Net cash used by financing activities		
Increase (decrease) in cash	17,856	(28,466)
Cash, beginning of period	<u>14,992</u>	<u>43,458</u>
Cash, end of period	<u>\$ 32,848</u>	<u>\$ 14,992</u>

See accompanying notes to financial statements.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 is located at 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.

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, 2022 or 2021.

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 2022 or 2021. No interest is accrued on past due account balances, generally 30 days after invoice date.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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 2022 the Organization received 98% of its grant support from 3 sources with one of those sources comprising grant receivable at December 31, 2022. During 2021 the Organization received 82% of its grant support on a fully funded basis from 2 sources.

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, 2022 and 2021 management estimated required pledge reserves to be \$3,348 and \$1,599, respectively. Management increased pledge reserves in 2022 by \$1,749 and made no adjustment to pledge reserves in 2021. 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 individual's pledge representing a significant concentration (10%) of total pledges receivable at December 31, 2022 and 2021.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support recognition (continued)

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.

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 2022 or 2021.

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. The Organization had no incomplete contracts at December 31, 2022 or December 31, 2021.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2022 or 2021. At December 31, 2022 tax returns for the years ended December 31, 2019 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.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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:

	2022	2021
March 31	\$ 14,566	\$ 11,475
June 30	12,085	10,097
September 30	8,992	10,020
December 31	8,767	9,755
	44,410	41,347
Less pledge reserves	(3,348)	(1,599)
	\$ 41,062	\$ 39,748

Note 4 **PROPERTY AND EQUIPMENT**

	2022	2021
Vehicles	\$ 41,302	\$ 41,302
Office equipment	4,924	4,924
	46,226	46,226
Less accumulated depreciation	(37,770)	(28,444)
	\$ 8,456	\$ 17,782

Note 5 **NOTES PAYABLE**

At December 31, 2021 the Organization had a single unsecured note payable in the amount of \$10,000 which bore no interest and was repaid during 2022.

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.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 6 **NET ASSETS WITH DONOR RESTRICTIONS**

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

	2022	2021
Program activities:		
Subject to expenditures for energy activities within one year	\$ 75,000	\$ 66,442
Subject to expenditures for energy activities within year two	31,250	-
	106,250	66,442
Supporting activities:		
Subject to the passage of time, within one year	38,750	75,000
	\$ 145,000	\$ 141,442

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, 2022 and 2021.

	2022	2021
Program activities:		
Subject to expenditures for energy activities within one year	\$ 110,192	\$ 240,045
Subject to expenditures for property and equipment	-	21,910
	110,192	261,955
Supporting activities:		
Subject to the passage of time, within one year	191,250	75,000
	\$ 301,442	\$ 336,955

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 2022 were \$154,713 and covered 526 field canvassing days and 1,516 phone staff hours. In 2021 contract service fees earned by OCA were \$149,550 and covered 285 field canvassing days and 2,136 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.

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, 2022 and 2021 were \$33,019 and \$39,159, 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, 2022 and 2021 were \$57,338 and \$74,702, respectively.

The Organization pays OCA dues based on canvass contributions received. Dues paid to OCA during the years ended December 31, 2022 and 2021 were \$5,745 and \$4,536, respectively.

The Organization shares fund raising expenses with OCA. Amounts charged by OCA for the years ended December 31, 2022 and 2021 were \$4,990 and \$5,641, respectively.

OHIO CITIZEN ACTION EDUCATION FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 8 **RESOURCE MANAGEMENT**

The following summarizes the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use within the following year because of donor-imposed restrictions.

Cash	\$ 32,848
Pledges receivable	41,062
Grant receivable	<u>75,000</u>
	148,910
Less assets unavailable for general expenditures:	
Donor imposed restrictions to be satisfied in 2023 and 2024	<u>106,250</u>
Assets available to meet cash needs for general use in 2023	<u>\$ 42,660</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.

Subsequent to December 31, 2022 the Organization received grants on a fully funded basis in the amount of \$367,000.

Note 9 **SUBSEQUENT EVENTS**

Management has undertaken a review of events occurring subsequent to December 31, 2022 through the date the financial statements were available to be issued, September 1, 2023. Management has determined that no events occurring subsequent to December 31, 2022 (other than as disclosed in Note 8 above) required adjustment to amounts originally recorded or additional disclosures.