

**THE OHIO ENVIRONMENTAL
COUNCIL**

FINANCIAL REPORT

December 31, 2015 and 2014

THE OHIO ENVIRONMENTAL COUNCIL

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Ohio Environmental Council
Columbus, Ohio

We have audited the accompanying statement of financial position of The Ohio Environmental Council (an Ohio not-for-profit corporation) as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses and the related notes to the financial statements for the year then ended.

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.

Auditors' 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 from material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio Environmental Council as of December 31, 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of The Ohio Environmental Council for the year ended December 31, 2014, were audited by other auditors whose report thereon, dated March 17, 2015, expressed an unqualified opinion.

Meloney + Novotny LLC

Worthington, Ohio
March 7, 2016

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash (note B)	\$ 471,098	\$ 292,346
Investments (note E)	-	1,964
Grants receivable (note B)	44,761	74,259
Other	<u>5,745</u>	<u>13,654</u>
Total Current Assets	521,604	382,223
Furniture, Equipment and Improvements—net (notes B and C)	24,727	27,447
Other Assets		
Deposits	-	5,557
Cash and investments (note E)	182,980	185,282
Intangible assets (note F)	<u>15,115</u>	<u>22,671</u>
Total Other Assets	<u>198,095</u>	<u>213,510</u>
Total Assets	<u>\$ 744,426</u>	<u>\$ 623,180</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 126,978	\$ 65,424
Accrued payroll and vacation expenses	49,762	48,805
Refundable advances (note B)	<u>186,118</u>	<u>149,584</u>
Total Current Liabilities	362,858	263,813
Net Assets		
Unrestricted:		
Operating	198,588	174,085
Board designated (note B)	<u>182,980</u>	<u>185,282</u>
Total Net Assets	<u>381,568</u>	<u>359,367</u>
Total Liabilities and Net Assets	<u>\$ 744,426</u>	<u>\$ 623,180</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF ACTIVITIES

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue and Support		
Grants and contracts	\$ 1,081,699	\$ 990,146
Contributions	537,039	547,098
OEC Action Fund reimbursement	11,026	-
Other	35,523	35,442
In-kind contributions	<u>36,110</u>	<u>32,841</u>
Total Revenue and Support	1,701,397	1,605,527
Expenses		
Program	1,351,125	1,288,337
Administrative	140,200	178,562
Fund raising	147,127	126,940
In-kind contributions	<u>36,110</u>	<u>32,841</u>
Total Expenses	<u>1,674,562</u>	<u>1,626,680</u>
Excess Revenues/(Expenses) from Operations	26,835	(21,153)
Other Income/(Expense)		
Unrealized gain/(loss) on investments	(5,319)	13,200
Investment income/(loss)	<u>685</u>	<u>713</u>
	<u>(4,634)</u>	<u>13,913</u>
Change in Net Assets	22,201	(7,240)
Net Assets		
Beginning of year	<u>359,367</u>	<u>366,607</u>
End of year	<u>\$ 381,568</u>	<u>\$ 359,367</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Cash received from:		
Grants and contracts	\$ 1,134,565	\$ 674,622
Memberships	137,782	227,319
Contributions	365,080	264,312
OEC Action Fund reimbursement	11,026	-
Other	35,523	35,442
Investment income	<u>685</u>	<u>713</u>
	1,684,661	1,202,408
Cash paid for:		
Salaries and fringe benefits	1,013,287	1,051,622
Other operating costs	<u>520,280</u>	<u>479,102</u>
	<u>1,533,567</u>	<u>1,530,724</u>
 Total Cash Flows from Operating Activities	 151,094	 (328,316)
Cash Flows from Investing Activities		
Purchase of furniture, equipment and improvements	(5,466)	(12,826)
Proceeds from investments	<u>33,124</u>	<u>53,078</u>
 Total Cash Flows from Investing Activities	 27,658	 40,252
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
 Net Increase/(Decrease) in Cash	 178,752	 (288,064)
Cash Balance		
Beginning of year	<u>292,346</u>	<u>580,410</u>
End of year	<u>\$ 471,098</u>	<u>\$ 292,346</u>
 Supplemental Schedule of Non-Cash Investing and Financing Activities		
Gifts of stock	\$ 34,177	\$ 55,467

The accompanying notes are an integral part of these financial statements.

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF CASH FLOWS—CONTINUED

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Change in Net Assets to Net Cash Provided/(Used) by Operations		
Change in net assets	\$ 22,201	\$ (7,240)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation and amortization	15,742	13,811
Unrealized investment (gain)/loss	5,319	(13,200)
Contribution of common stocks	(34,177)	(55,467)
(Increase)/Decrease in operating assets:		
Grants receivable	29,498	(28,441)
Other	13,466	-
Increase/(Decrease) in operating liabilities:		
Accounts payable	61,554	52,657
Accrued payroll and vacation expenses	957	(3,353)
Refundable advances	<u>36,534</u>	<u>(287,083)</u>
 Total Cash Flows from Operating Activities	 <u>\$ 151,094</u>	 <u>\$ (328,316)</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO ENVIRONMENTAL COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2015

Expenses	<u>Program</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 831,680	\$ 81,140	\$ 101,424	\$ 1,014,244
Bank and credit card fees	1,306	324	3,520	5,150
Depreciation and amortization	12,343	2,312	1,087	15,742
Insurance	2,961	2,147	-	5,108
IT and equipment	27,764	3,368	798	31,930
Media and resources	20,585	2,073	5,327	27,985
Memberships and permits	2,250	1,720	200	4,170
Miscellaneous	2,098	1,548	194	3,840
Moving expenses	619	9,230	-	9,849
Office rent and utilities	50,301	8,035	3,231	61,567
Pass-thru to sub-recipients	280,048	1,500	-	281,548
Postage	3,575	1,478	12,983	18,036
Printing	11,007	6,553	12,229	29,789
Professional services	19,664	11,997	1,234	32,895
Special and program events	44,596	-	-	44,596
Supplies	1,497	957	26	2,480
Telephone	6,869	(16)	366	7,219
Travel	31,962	5,834	4,508	42,304
Total Expenses	<u>\$1,351,125</u>	<u>\$ 140,200</u>	<u>\$ 147,127</u>	<u>\$ 1,638,452</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO ENVIRONMENTAL COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2014

	<u>Program</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses				
Salaries and fringe benefits	\$ 837,881	\$ 110,255	\$ 100,133	\$ 1,048,269
Bank and credit card fees	\$ 275	\$ 5,370	\$ 33	5,678
Depreciation and amortization	10,358	2,348	1,105	13,811
Insurance	207	5,986	-	6,193
IT and equipment	22,497	11,696	-	34,193
Media and resources	10,196	4,521	7,931	22,648
Memberships and permits	1,221	1,862	-	3,083
Miscellaneous	223	4,868	32	5,123
Moving expense	-	-	-	-
Office rent and utilities	53,241	1,569	6,578	61,388
Pass-thru to sub-recipients	212,294	-	-	212,294
Postage	5,510	1,543	2,772	9,825
Printing	15,504	2,952	2,127	20,583
Professional services	5,755	17,159	375	23,289
Special and program events	64,372	-	-	64,372
Supplies	6,471	560	-	7,031
Telephone	8,097	2,044	1,174	11,315
Travel	34,235	5,829	4,680	44,744
Total Expenses	<u>\$1,288,337</u>	<u>\$ 178,562</u>	<u>\$ 126,940</u>	<u>\$ 1,593,839</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014

NOTE A—DESCRIPTION OF ORGANIZATION

The Ohio Environmental Council (the Organization) is a private not-for-profit corporation formed to promote environmental concerns and educate Ohio's public about environmental issues. The Organization is the state's most comprehensive, effective and respected environmental advocate for healthier, more sustainable Ohio. Using legislative, legal action, scientific principles, and statewide partnerships, the Organization secures a healthier environment for Ohio's families and communities.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. *Basis of Accounting*

The Organization prepares its financial statements on an accrual basis in conformity with accounting principles generally accepted in the United States of America.

For accounting and reporting purposes, the revenues and gains/losses of the Organization are classified in net assets based on the existence or absence of donor-imposed restrictions. A description of the three classes of net assets follows:

- a. Unrestricted
Net assets that are not subject to donor-imposed stipulations.
- b. Temporarily Restricted
Net assets subject to temporary donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.
- c. Permanently Restricted
Net assets subject to donor-imposed stipulations that they must be permanently maintained by the Organization. The donors permit the Organization to use the income earned on related investments for general operations.

The Organization had no temporarily or permanently restricted net assets at year end.

2. *Cash*

For purposes of the statement of cash flows, cash includes all of the Organization's checking and savings accounts. The Organization's cash accounts are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation up to specified limits. The cash balances periodically exceed the insured limits.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS—CONTINUED

Years ended December 31, 2015 and 2014

NOTE B—SUMMARY OF ACCOUNTING POLICIES—CONTINUED

3. *Furniture, Equipment and Improvements*

The Organization capitalizes furniture and equipment acquisitions when the acquisition value exceeds \$1,000. Purchased items are capitalized at cost. Donated items are recorded at their fair value at the date of the gift. Depreciation is computed on a straight-line method over the estimated useful lives of the assets.

4. *Revenue Recognition*

Contributions

Revenue is recognized when a donor makes a promise to give a contribution to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily or permanently restricted net assets are reclassified to unrestricted net assets.

Grants and Contracts

Certain grants funding is received at the beginning of the grant. The Organization believes these grants meet the definition of conditional promises which are dependent upon the Organization incurring certain grant related expenses. Therefore, grant revenue is reported as expenses are incurred in connection with completion of a project. Funding received but not yet expended is reported as refundable advances.

Certain grants are billable and are paid as funds are expended by the Organization. The Organization accumulates its billable expenses each month and invoices at the end of the month. Amounts invoiced but not yet collected and amounts expended but not yet invoiced under these grants are included in grants receivable.

The Organization believes its grants receivable are fully collectable and therefore no allowance for bad debts is necessary.

Memberships

Revenue from membership dues are recognized when received.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS—CONTINUED

Years ended December 31, 2015 and 2014

NOTE B—SUMMARY OF ACCOUNTING POLICIES—CONTINUED

Contributed Goods and Services

The Organization records various types of in-kind support, including professional services, equipment and supplies, as contributions revenue. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received if they typically be purchased otherwise. During the current year, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded. In-kind contributions represent donated products and services which are auctioned off during the Organization's fund-raisers. This revenue is offset by like amounts included in expenses or assets.

5. *Board Designated Funds*

The Board of Directors has designated a portion of the unrestricted net assets and has earmarked the assets for worthy purposes.

6. *Income Taxes*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Form 990 for the past three years are still subject to examination by the taxing authorities.

The Organization's evaluation on December 31, 2015, revealed no uncertain tax positions that would have a material impact on the financial statements. The Organization does not believe that any reasonably possible changes in tax positions will occur within the next twelve months that will have a material impact on the financial statements.

7. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. *Functional Allocation of Expenses*

The cost of providing programs and other activities have been reported in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS—CONTINUED

Years ended December 31, 2015 and 2014

NOTE B—SUMMARY OF ACCOUNTING POLICIES—CONTINUED

9. *Fair Value of Financial Instruments*

The Organization believes that the fair value of its financial instruments (grants receivable and accounts payable) approximates their carrying value based on the related interest rates and corresponding credit risk.

NOTE C—FURNITURE, EQUIPMENT AND IMPROVEMENTS

As of December 31, 2015 and 2014, furniture, equipment and improvements consist of:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 16,213	\$ 12,713
Furniture and equipment	<u>106,128</u>	<u>104,163</u>
	122,341	116,876
Less: Accumulated depreciation	<u>(97,614)</u>	<u>(89,429)</u>
	<u>\$ 24,727</u>	<u>\$ 27,447</u>

NOTE D—LEASE COMMITMENTS

The Organization leases its office space on a month-to-month basis. Current year rent expense was \$40,573.

In July 2014, the Organization signed a new lease agreement for office space at 1145 Chesapeake Avenue. The lease has a term of five years and commences after substantial improvements are made, the “delivery date” of the property. The lease agreement required the Organization to pay a security deposit and the first months rent. The delivery date was February 9, 2015.

At December 31, 2015, future minimum lease payments under the non-cancelable operating leases are as follows:

2016	\$ 55,878
2017	53,160
2018	54,442
2019	55,725
2020	<u>6,504</u>
	<u>\$ 225,709</u>

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS—CONTINUED

Years ended December 31, 2015 and 2014

NOTE E—FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include;
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
 - If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014:

Equity Mutual Funds: Valued at the daily closing price as reported by the fund. Equity mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Corporate Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS—CONTINUED

Years ended December 31, 2015 and 2014

NOTE E—FAIR VALUE MEASUREMENT—CONTINUED

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of December 31, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
UNRESTRICTED				
Corporate equities	\$ -	\$ -	\$ -	\$ -
BOARD DESIGNATED				
Cash and money market	2,799			2,799
Equity mutual funds	<u>180,181</u>	<u>-</u>	<u>-</u>	<u>180,181</u>
	<u>\$ 182,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,980</u>
	2014			
	Level 1	Level 2	Level 3	Total
UNRESTRICTED				
Corporate equities	\$ 1,964	\$ -	\$ -	\$ 1,964
BOARD DESIGNATED				
Cash and money market	22,560	-	-	22,560
Corporate equities	4,555	-	-	4,555
Equity mutual funds	<u>158,167</u>	<u>-</u>	<u>-</u>	<u>158,167</u>
	<u>\$ 187,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,246</u>

NOTE F—INTANGIBLE ASSETS

The Organization contracted with outside vendors to provide design and development services for a messaging system and website design. The cost of the project is being amortized over a five year estimated useful life.

A summary of the cost and accumulated amortization at December 31, 2015 and 2014 is as follows:

	2015	2014
Messaging system	\$ 10,330	\$ 10,330
Website design	<u>27,455</u>	<u>27,455</u>
	37,785	37,785
Less: accumulated amortization	<u>(22,670)</u>	<u>(15,114)</u>
	<u>\$ 15,115</u>	<u>\$ 22,671</u>

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS—CONTINUED

Years ended December 31, 2015 and 2014

NOTE G—CONDITIONAL GRANTS

During 2015, the Organization received notification that four existing grants would be continued. The continuation is conditional upon completion of the 2015 programs and submission of annual progress reports. The conditional promises totaled \$276,369 at December 31, 2015.

NOTE H—CONCENTRATIONS

During 2015, the Organization received approximately 20% of its revenues from one foundation. The Organization is pursuing other grants and increasing fund-raising efforts to offset this concentration.

NOTE I—RETIREMENT PLANS

On February 1, 2003, the Organization adopted a SIMPLE IRA retirement plan which covers all employees. Under the plan, employees may elect to defer a portion of their salary and have it contributed to their SIMPLE IRA account. The Organization may elect to match each participating employee's deferral up to 3% of compensation. Alternatively, the Organization may elect to contribute 2% of each employees salary regardless of whether the employee defers under the plan. The Organization elected to match participating employees' deferral up to a maximum of 3% of compensation in 2015 and 2014.

Retirement plan expense was \$17,589 and \$20,085 in 2015 and 2014, respectively.

NOTE J—RELATED PARTY

During 2015, the Organization began to share office space, employees and other overhead expenses with a related organization, the Ohio Environmental Council Action Fund (the OECAF). The OECAF paid the Organization \$11,026 during 2015 for these shared costs.

NOTE K—SUBSEQUENT EVENT

The Organization has evaluated subsequent events through March 7, 2016, which is the date the financial statements were available to be issued.