

**THE OHIO ENVIRONMENTAL  
COUNCIL**

FINANCIAL REPORT

June 30, 2019 and 2018

# THE OHIO ENVIRONMENTAL COUNCIL

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Ohio Environmental Council (an Ohio not-for-profit corporation) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (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.

### 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.

An 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 June 30, 2019 and 2018, 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.

*Meloney + Novotny LLC*

Columbus, Ohio  
September 14, 2019

**THE OHIO ENVIRONMENTAL COUNCIL**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2019 and 2018

|                                                                | 2019         | 2018         |
|----------------------------------------------------------------|--------------|--------------|
| <b>ASSETS</b>                                                  |              |              |
| <b>Current Assets</b>                                          |              |              |
| Cash                                                           | \$ 989,013   | \$ 558,870   |
| Investments                                                    | -            | 12,940       |
| Grants receivable                                              | 105,333      | 100,169      |
| Pledge receivable, current portion                             | 10,000       | -            |
| Related party receivable                                       | -            | 266,880      |
| Prepaid expenses                                               | 9,582        | 8,014        |
| Total current assets                                           | 1,113,928    | 946,873      |
| <b>Furniture, Equipment, and Improvements, net</b>             | 6,486        | 8,699        |
| <b>Other Assets</b>                                            |              |              |
| Pledge receivable, net of current portion                      | 20,000       | -            |
| Investments - designated                                       | 238,423      | 239,240      |
| Investments - restricted                                       | 64,595       | -            |
| Beneficial interest in assets held by The Cleveland Foundation | 10,350       | -            |
| Total other assets                                             | 333,368      | 239,240      |
| Total assets                                                   | \$ 1,453,782 | \$ 1,194,812 |
| <b>LIABILITIES AND NET ASSETS</b>                              |              |              |
| <b>Current Liabilities</b>                                     |              |              |
| Accounts payable                                               | \$ 56,811    | \$ 23,202    |
| Accrued payroll and vacation expenses                          | 129,619      | 79,901       |
| Refundable advances                                            | 223,067      | 238,423      |
| Related party payable                                          | 9,274        | -            |
| Total current liabilities                                      | 418,771      | 341,526      |
| <b>Net Assets</b>                                              |              |              |
| Without Donor Restrictions                                     |              |              |
| Operating                                                      | 716,993      | 607,668      |
| Board designated                                               | 238,423      | 239,240      |
| Total net assets without donor restrictions                    | 955,416      | 846,908      |
| With Donor Restrictions                                        | 79,595       | 6,378        |
| Total net assets                                               | 1,035,011    | 853,286      |
| Total liabilities and net assets                               | \$ 1,453,782 | \$ 1,194,812 |

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

**THE OHIO ENVIRONMENTAL COUNCIL**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019

|                                             | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---------------------------------------------|-------------------------------|----------------------------|---------------------|
| <b>Revenue and Support</b>                  |                               |                            |                     |
| Grants and contracts                        | \$ 1,720,832                  | \$ -                       | \$ 1,720,832        |
| Contributions                               | 694,718                       | 79,595                     | 774,313             |
| In-kind contributions                       | 13,982                        | -                          | 13,982              |
| Administrative fees and other revenue       | 44,884                        | -                          | 44,884              |
| Net assets released from restrictions       | <u>6,378</u>                  | <u>(6,378)</u>             | <u>-</u>            |
| Total revenue and support                   | 2,480,794                     | 73,217                     | 2,554,011           |
| <b>Operating Expenses</b>                   |                               |                            |                     |
| Program                                     | 2,079,415                     | -                          | 2,079,415           |
| Administrative                              | 164,229                       | -                          | 164,229             |
| Fundraising                                 | <u>196,286</u>                | <u>-</u>                   | <u>196,286</u>      |
| Total operating expenses                    | <u>2,439,930</u>              | <u>-</u>                   | <u>2,439,930</u>    |
| Changes in net assets<br>from operations    | 40,864                        | 73,217                     | 114,081             |
| <b>Other Income</b>                         |                               |                            |                     |
| Realized and unrealized gain on investments | 29,210                        | -                          | 29,210              |
| Investment income, net                      | 7,101                         | -                          | 7,101               |
| Miscellaneous income                        | <u>31,333</u>                 | <u>-</u>                   | <u>31,333</u>       |
| Total other income                          | <u>67,644</u>                 | <u>-</u>                   | <u>67,644</u>       |
| Change in net assets                        | 108,508                       | 73,217                     | 181,725             |
| <b>Net Assets</b>                           |                               |                            |                     |
| Beginning of year                           | <u>846,908</u>                | <u>6,378</u>               | <u>853,286</u>      |
| End of year                                 | <u>\$ 955,416</u>             | <u>\$ 79,595</u>           | <u>\$ 1,035,011</u> |

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

**THE OHIO ENVIRONMENTAL COUNCIL**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2018

|                                             | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
|---------------------------------------------|---------------------------------------|------------------------------------|-------------------|
| <b>Revenue and Support</b>                  |                                       |                                    |                   |
| Grants and contracts                        | \$ 1,721,094                          | \$ -                               | \$ 1,721,094      |
| Contributions                               | 724,434                               | 14,545                             | 738,979           |
| In-kind contributions                       | 17,477                                | -                                  | 17,477            |
| Administrative fees and other revenue       | 12,652                                | -                                  | 12,652            |
| Net assets released from restrictions       | <u>8,167</u>                          | <u>(8,167)</u>                     | <u>-</u>          |
| Total revenue and support                   | 2,483,824                             | 6,378                              | 2,490,202         |
| <b>Operating Expenses</b>                   |                                       |                                    |                   |
| Program                                     | 1,917,610                             | -                                  | 1,917,610         |
| Administrative                              | 157,695                               | -                                  | 157,695           |
| Fundraising                                 | <u>155,188</u>                        | <u>-</u>                           | <u>155,188</u>    |
| Total operating expenses                    | <u>2,230,493</u>                      | <u>-</u>                           | <u>2,230,493</u>  |
| Changes in net assets<br>from operations    | 253,331                               | 6,378                              | 259,709           |
| <b>Other Income</b>                         |                                       |                                    |                   |
| Realized and unrealized gain on investments | 24,726                                | -                                  | 24,726            |
| Investment income, net                      | <u>2,339</u>                          | <u>-</u>                           | <u>2,339</u>      |
| Total other income                          | <u>27,065</u>                         | <u>-</u>                           | <u>27,065</u>     |
| Change in net assets                        | 280,396                               | 6,378                              | 286,774           |
| <b>Net Assets</b>                           |                                       |                                    |                   |
| Beginning of year                           | <u>566,512</u>                        | <u>-</u>                           | <u>566,512</u>    |
| End of year                                 | <u>\$ 846,908</u>                     | <u>\$ 6,378</u>                    | <u>\$ 853,286</u> |

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

**THE OHIO ENVIRONMENTAL COUNCIL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2019

|                               | <u>Program</u>          | <u>Administrative</u> | <u>Fundraising</u>    | <u>Total</u>            |
|-------------------------------|-------------------------|-----------------------|-----------------------|-------------------------|
| <b>Operating Expenses</b>     |                         |                       |                       |                         |
| Salaries and fringe benefits  | \$ 1,523,678            | \$ 109,476            | \$ 41,930             | \$ 1,675,084            |
| Bank and credit card fees     | 792                     | 792                   | 6,338                 | 7,922                   |
| Depreciation and amortization | 1,107                   | 1,106                 | -                     | 2,213                   |
| In-kind expenses              | -                       | -                     | 13,982                | 13,982                  |
| Insurance                     | 6,606                   | 1,651                 | -                     | 8,257                   |
| IT and equipment              | 24,695                  | 4,630                 | 1,544                 | 30,869                  |
| Media and resources           | 59,361                  | -                     | -                     | 59,361                  |
| Memberships and permits       | 9,619                   | 534                   | 534                   | 10,687                  |
| Miscellaneous                 | 5,554                   | 5,389                 | 5,389                 | 16,332                  |
| Office rent and utilities     | 52,696                  | 9,880                 | 3,294                 | 65,870                  |
| Pass-through funds            | 221,521                 | -                     | -                     | 221,521                 |
| Postage                       | 812                     | 812                   | 14,624                | 16,248                  |
| Printing                      | 5,048                   | 1,682                 | 26,921                | 33,651                  |
| Professional services         | 22,589                  | 7,529                 | -                     | 30,118                  |
| Prospect appeal               | 13,123                  | 4,374                 | 69,990                | 87,487                  |
| Special and program events    | 51,566                  | 9,669                 | 3,223                 | 64,458                  |
| Supplies                      | 5,263                   | 1,754                 | -                     | 7,017                   |
| Telephone                     | 4,584                   | 1,018                 | 4,584                 | 10,186                  |
| Travel                        | <u>70,801</u>           | <u>3,933</u>          | <u>3,933</u>          | <u>78,667</u>           |
| <br>Total operating expenses  | <br><u>\$ 2,079,415</u> | <br><u>\$ 164,229</u> | <br><u>\$ 196,286</u> | <br><u>\$ 2,439,930</u> |

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



**THE OHIO ENVIRONMENTAL COUNCIL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2018

|                               | <u>Program</u>          | <u>Administrative</u> | <u>Fundraising</u>    | <u>Total</u>            |
|-------------------------------|-------------------------|-----------------------|-----------------------|-------------------------|
| <b>Operating Expenses</b>     |                         |                       |                       |                         |
| Salaries and fringe benefits  | \$ 1,419,743            | \$ 90,541             | \$ 57,068             | \$ 1,567,352            |
| Bank and credit card fees     | 5,032                   | 347                   | 637                   | 6,016                   |
| Depreciation and amortization | 4,423                   | 3,778                 | -                     | 8,201                   |
| In-kind expenses              | -                       | -                     | 17,477                | 17,477                  |
| Insurance                     | 2,625                   | 3,467                 | -                     | 6,092                   |
| IT and equipment              | 27,262                  | 6,903                 | 1,252                 | 35,417                  |
| Media and resources           | 40,704                  | -                     | -                     | 40,704                  |
| Memberships and permits       | 9,260                   | 1,656                 | 335                   | 11,251                  |
| Miscellaneous                 | 1,656                   | 3,924                 | 122                   | 5,702                   |
| Office rent and utilities     | 45,939                  | 7,556                 | 4,239                 | 57,734                  |
| Pass-through funds            | 147,157                 | -                     | -                     | 147,157                 |
| Postage                       | 3,710                   | 1,166                 | 6,154                 | 11,030                  |
| Printing                      | 37,681                  | 1,743                 | 4,183                 | 43,607                  |
| Professional services         | 31,029                  | 10,790                | 250                   | 42,069                  |
| Prospect appeal               | 10,251                  | 6,782                 | 57,127                | 74,160                  |
| Special and program events    | 44,047                  | 10,126                | 1,451                 | 55,624                  |
| Supplies                      | 1,106                   | 2,079                 | 367                   | 3,552                   |
| Telephone                     | 9,017                   | 984                   | 45                    | 10,046                  |
| Travel                        | <u>76,968</u>           | <u>5,853</u>          | <u>4,481</u>          | <u>87,302</u>           |
| <br>Total operating expenses  | <br><u>\$ 1,917,610</u> | <br><u>\$ 157,695</u> | <br><u>\$ 155,188</u> | <br><u>\$ 2,230,493</u> |

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

**THE OHIO ENVIRONMENTAL COUNCIL**

STATEMENTS OF CASH FLOW

Years Ended June 30, 2019 and 2018

|                                                      | 2019              | 2018              |
|------------------------------------------------------|-------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>          |                   |                   |
| Cash received from:                                  |                   |                   |
| Grants and contracts                                 | \$ 1,700,312      | \$ 1,428,619      |
| Contributions                                        | 744,313           | 738,979           |
| Administrative fees and other revenue                | 44,884            | 12,652            |
| Investment income                                    | 7,101             | 2,339             |
| Miscellaneous income                                 | <u>31,333</u>     | <u>-</u>          |
|                                                      | 2,527,943         | 2,182,589         |
| Cash paid for:                                       |                   |                   |
| Program                                              | 1,706,413         | 2,115,697         |
| Administrative                                       | 163,123           | 157,695           |
| Fundraising                                          | <u>196,286</u>    | <u>155,188</u>    |
|                                                      | <u>2,065,822</u>  | <u>2,428,580</u>  |
| Net cash provided by/(used in) operating activities  | 462,121           | (245,991)         |
| <b>Cash Flows from Investing Activities</b>          |                   |                   |
| Proceeds from investments                            | -                 | 22,420            |
| Purchase of investments                              | (21,978)          | -                 |
| Purchase of beneficial interest in foundation assets | <u>(10,000)</u>   | <u>-</u>          |
| Net cash (used in)/provided by investing activities  | <u>(31,978)</u>   | <u>22,420</u>     |
| Net change in cash                                   | 430,143           | (223,571)         |
| <b>Cash Balance</b>                                  |                   |                   |
| Beginning of year                                    | <u>558,870</u>    | <u>782,441</u>    |
| End of year                                          | <u>\$ 989,013</u> | <u>\$ 558,870</u> |

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

**THE OHIO ENVIRONMENTAL COUNCIL**

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended June 30, 2019 and 2018

|                                                                                                       | 2019       | 2018         |
|-------------------------------------------------------------------------------------------------------|------------|--------------|
| <b>Reconciliation of Change in Net Assets to Net Cash</b>                                             |            |              |
| <b>Provided by/(Used in) Operating Activities</b>                                                     |            |              |
| Change in net assets                                                                                  | \$ 181,725 | \$ 286,774   |
| Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities: |            |              |
| Depreciation and amortization                                                                         | 2,213      | 8,201        |
| Loss on disposal of furniture and equipment                                                           | -          | 982          |
| Realized and unrealized gain on investments                                                           | (29,210)   | (24,726)     |
| (Increase)/decrease in operating assets:                                                              |            |              |
| Grants receivable                                                                                     | (5,164)    | (58,702)     |
| Pledge receivable                                                                                     | (30,000)   | -            |
| Related party receivable                                                                              | 266,880    | (236,875)    |
| Prepaid expenses                                                                                      | (1,568)    | 4,273        |
| Increase/(decrease) in operating liabilities:                                                         |            |              |
| Accounts payable                                                                                      | 33,609     | (12,762)     |
| Accrued payroll and vacation expenses                                                                 | 49,718     | 20,617       |
| Refundable advances                                                                                   | (15,356)   | (233,773)    |
| Related party payable                                                                                 | 9,274      | -            |
| Net cash provided by/(used in) operating activities                                                   | \$ 462,121 | \$ (245,991) |

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

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2019 and 2018

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#### NOTE A - DESCRIPTION OF ORGANIZATION

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

#### NOTE B - BASIS OF ACCOUNTING

The Council prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

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

- a. Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed stipulations.
- b. Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Council and/or the passage of time. As of June 30, 2019 and 2018, the Council had \$79,595 and \$6,378, respectively, in net assets with donor restrictions.

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. *Cash*

For purposes of the statement of cash flows, cash includes all of the Council's checking and savings accounts. The Council's cash accounts are insured by the Federal Deposit Insurance Corporation up to specified limits. The cash balances that exceed insured limits at June 30, 2019 and 2018 were \$617,609 and \$307,866, respectively. The Council has not experienced any loss in such account. The Council believes it is not exposed to any significant credit risk on its cash balance.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

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#### NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2. *Furniture, Equipment, and Improvements*

The Council capitalizes furniture, equipment, and improvement 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, with leasehold improvements being depreciated over the shorter of useful life or the lease term, including expected lease term extensions:

|                         |          |
|-------------------------|----------|
| Leasehold improvements  | 15 years |
| Furniture and equipment | 5 years  |

Expenditures for maintenance and repairs which do not extend the life of the applicable assets are charged to expense as incurred.

3. *Beneficial Interest in Assets Held by The Cleveland Foundation*

The Council created the Ohio Environmental Council Fund (the "Fund") to meet the future needs of the Council. The Fund is a component fund of The Cleveland Foundation (the "Foundation") and is subject to the variance power of the Foundation Board of Directors. However, the variance power can be exercised only if circumstances have so changed that execution of the original intent of the Fund is unnecessary, undesirable, impractical or impossible.

The agreement with the Foundation indicates that, upon the approval by a majority of the Council's Board of Directors, the funds can be distributed to the Council or another beneficiary. As set forth in the FASB ASC 958-605, *Not-for-Profit Entities-Revenue Recognition*, the Council has recorded the fair value of the Fund as an asset. The Foundation has determined specific shares of the Foundation's fund that are allocated to the Council. Realized and unrealized gains and losses from the investments held by the Foundation are allocated pro-rata to the Council's share in the trust assets and are used for unrestricted purposes of the Council.

4. *Board Designated Funds*

The Board of Directors has designated a portion of the net assets without donor restrictions to support a future operating reserve of the Council. The entire designated balance is in an investment account, reported as a designated investment on the statement of financial position.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

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#### NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

5. *Revenue Recognition*

Grants/Contracts

Funding from certain grants is received at the beginning of the grant period. The Council believes these grants meet the definition of conditional promises. Revenues for services performed under certain grants is recognized as expenses are incurred or as projects progress. Funding received but not yet expended is reported as refundable advances.

Certain grants are billable and are paid as funds are expended by the Council. The Council 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 Council believes its grants receivable are fully collectable and therefore no allowance for bad debts is necessary.

Contributions

Revenue is recognized when a donor makes a promise to give a contribution to the Council that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, 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 restrictions.

Contributed Goods and Services

The Council 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 would be purchased otherwise. During the years ended June 30, 2019 and 2018, 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 Council's fund-raisers. This revenue is offset by like amounts included in expenses.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

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#### NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

6. *Income Taxes*

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and therefore has made no provision for federal income taxes in the accompanying financial statements.

The Council's evaluation on June 30, 2019 and 2018, revealed no uncertain tax positions that would have a material impact on the financial statements. The Council 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. *Functional Allocation of Expenses*

The cost of providing programs and other activities have been reported in the statements of functional expenses. The expenses are allocated based on employee time spent on each specific function or benefit each function received from the applicable expenses.

8. *Fair Value Measurement*

The carrying values of cash, accounts receivable, accrued expenses and other liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments. The carrying value of the investments approximates their fair value in accordance with generally accepted accounting principles.

The Council estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The inputs used to measure fair value are classified into three levels:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs in which little or no market data exists.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

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#### **NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

8. *Fair Value Measurement (Continued)*

Investments: The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used during the June 30, 2019 and 2018 fiscal years:

Corporate Bonds: The fair values of bonds are based on observable market information in primary markets or determined by pricing services based on market values for investments with similar ratings and maturity dates. These bonds are classified as Level 2.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Council are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset values and to transact at that price. Mutual funds are classified as Level 1.

Beneficial interest in the Cleveland Foundation: The fair value of the Council's investment is estimated based on the number of units of the Cleveland Foundation held; thus, is considered a level 2 fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

9. *Use of Management's Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

10. *Reclassifications*

Certain reclassifications of the June 30, 2018 amounts have been made to conform to the June 30, 2019 presentation.



**THE OHIO ENVIRONMENTAL COUNCIL**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

**NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

11. *New Accounting Standard ASU No. 2016-14*

In 2016, the Financial Accounting Standards Board issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* which replaces the old net asset classifications (unrestricted, temporarily restricted, and permanently restricted) with new classifications (net assets without donor restrictions and net assets with donor restrictions). The Council adopted the provisions of this new standard during the year ended June 30, 2019 and adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no change on net assets. A disclosure on liquidity was added (Note D) and disclosures related to functional allocation of expenses were expanded.

**NOTE D - FINANCIAL ASSETS AND LIQUIDITY**

The following table reflects the Council's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditures within one year:

|                                                                                           | 2019         | 2018       |
|-------------------------------------------------------------------------------------------|--------------|------------|
| Financial assets:                                                                         |              |            |
| Cash                                                                                      | \$ 989,013   | \$ 558,870 |
| Investments                                                                               | -            | 12,940     |
| Grants receivable                                                                         | 105,333      | 100,169    |
| Pledge receivable                                                                         | 10,000       | -          |
| Related party receivable                                                                  | -            | 266,880    |
| Investments - designated                                                                  | 238,423      | 239,240    |
| Investments - restricted                                                                  | 64,595       | -          |
| Beneficial interest in assets held by The Cleveland Foundation                            | 10,350       | -          |
| Financial assets, at year-end                                                             | 1,417,714    | 1,178,099  |
| Less those not available for general expenditures within one year:                        |              |            |
| Board designated investments                                                              | 238,423      | 239,240    |
| Assets restricted by donors with purpose restrictions                                     | 79,595       | 6,378      |
|                                                                                           | 318,018      | 245,618    |
| Financial assets available to meet cash needs<br>for general expenditures within one year | \$ 1,099,696 | \$ 932,481 |

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Board of Directors has established an operating reserve that could be liquidated for future obligations.

**THE OHIO ENVIRONMENTAL COUNCIL**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

**NOTE E - PLEDGE RECEIVABLE**

A donor made an unconditional pledge to the Council totaling \$50,000. The pledge will be paid annually in \$10,000 installments through November 2022. One half of the installment is to fund the Council's operations, and the other half is a restricted contribution. As of June 30, 2019 and 2018, \$30,000 and \$-0- was owed to the Council. The table below summarizes the schedule payments to be received by the Council as of June 30, 2019:

|                    |    |                  |
|--------------------|----|------------------|
| Less than one year | \$ | 10,000           |
| One to five years  |    | <u>20,000</u>    |
|                    |    | <u>\$ 30,000</u> |

**NOTE F - INVESTMENTS**

The fair value of the Council's investments, presented by hierarchy level, is as follows:

| June 30, 2019                                   |                   |             |             |                   |
|-------------------------------------------------|-------------------|-------------|-------------|-------------------|
|                                                 | Level 1           | Level 2     | Level 3     | Total             |
| <b>UNRESTRICTED</b>                             |                   |             |             |                   |
| Beneficial interest in the Cleveland Foundation | \$ -              | \$ -        | \$ 10,350   | \$ 10,350         |
| <b>BOARD DESIGNATED</b>                         |                   |             |             |                   |
| Bank sweep                                      | \$ 2,456          | \$ -        | \$ -        | \$ 2,456          |
| Equity mutual funds                             | <u>235,967</u>    | <u>-</u>    | <u>-</u>    | <u>235,967</u>    |
|                                                 | <u>\$ 238,423</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 238,423</u> |
| <b>RESTRICTED</b>                               |                   |             |             |                   |
| Government bond mutual fund                     | \$ 28,385         | \$ -        | \$ -        | \$ 28,385         |
| Cash                                            | 2,010             | -           | -           | 2,010             |
| Equity mutual funds                             | <u>34,200</u>     | <u>-</u>    | <u>-</u>    | <u>34,200</u>     |
|                                                 | <u>\$ 64,595</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 64,595</u>  |
| June 30, 2018                                   |                   |             |             |                   |
|                                                 | Level 1           | Level 2     | Level 3     | Total             |
| <b>UNRESTRICTED</b>                             |                   |             |             |                   |
| Corporate Bonds                                 | \$ -              | \$ 12,940   | \$ -        | \$ 12,940         |
| <b>BOARD DESIGNATED</b>                         |                   |             |             |                   |
| Money market mutual funds                       | \$ 2,804          | \$ -        | \$ -        | \$ 2,804          |
| Equity mutual funds                             | <u>236,436</u>    | <u>-</u>    | <u>-</u>    | <u>236,436</u>    |
|                                                 | <u>\$ 239,240</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 239,240</u> |

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

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#### NOTE G - RELATED PARTY TRANSACTIONS

The Council has a common board member, as well as common management, with the Ohio Environmental Council Action Fund, Inc. (the "Action Fund") and Conservation Ohio Political Action Committee ("Conservation Ohio"). A formal reimbursement policy has been adopted by the Council and the Action Fund which states that the Council will receive reimbursements from the Action Fund for items at fair market value based on research done or cost. If fair value is not readily available, a markup on any goods or services that the Council provides to the Action Fund will be reimbursed in order to guarantee that tax-deductible contributions given to the Council, as an organization exempt from income taxes under Section 501(c)(3) of the IRC, are not used for the activities of the Action Fund or Conservation Ohio. In addition, the Action Fund reimburses the Council for its use of the shared office space and various other operating expenses. The Action Fund pays for both its expenses and for Conservation Ohio; Conservation Ohio will then reimburse the Action Fund.

At June 30, 2019 and 2018, the Council has a receivable from the Action Fund of (\$9,274) and \$266,880, respectively.

The shared expenses from the Action Fund and Conservation Ohio for the years ended June 30, 2019 and 2018 were as follows:

|                              | <u>2019</u>       | <u>2018</u>       |
|------------------------------|-------------------|-------------------|
| Salaries and fringe benefits | \$ 263,329        | \$ 151,334        |
| Insurance                    | 405               | -                 |
| IT and equipment             | 12,841            | 5,525             |
| Media and resources          | 44,664            | 37,932            |
| Miscellaneous                | 133               | 198               |
| Office rent and utilities    | 9,856             | 9,900             |
| Permits and memberships      | -                 | 1,205             |
| Postage                      | 2,338             | 1,110             |
| Printing                     | 445               | 6,778             |
| Professional services        | 177               | -                 |
| Program                      | 948               | 483               |
| Supplies                     | 45,391            | 68                |
| Telephone                    | 6,135             | -                 |
| Travel                       | 29,718            | 22,192            |
|                              | <u>\$ 416,380</u> | <u>\$ 236,725</u> |

**THE OHIO ENVIRONMENTAL COUNCIL**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

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**NOTE H - FURNITURE, EQUIPMENT, AND IMPROVEMENTS**

As of June 30, 2019 and 2018, furniture, equipment, and improvements consists of:

|                                | <u>2019</u>     | <u>2018</u>     |
|--------------------------------|-----------------|-----------------|
| Leasehold improvements         | \$ 7,894        | \$ 7,894        |
| Furniture and equipment        | <u>8,433</u>    | <u>8,433</u>    |
|                                | 16,327          | 16,327          |
| Less: Accumulated depreciation | <u>(9,841)</u>  | <u>(7,628)</u>  |
|                                | <u>\$ 6,486</u> | <u>\$ 8,699</u> |

Depreciation expense for the years ended June 30, 2019 and 2018 was \$2,213 and \$4,423, respectively.

**NOTE I - INTANGIBLE ASSETS**

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

A summary of the cost and accumulated amortization at June 30, 2019 and 2018 is as follows:

|                                | <u>2019</u>     | <u>2018</u>     |
|--------------------------------|-----------------|-----------------|
| Messaging system               | \$ 10,330       | \$ 10,330       |
| Website design                 | <u>27,455</u>   | <u>27,455</u>   |
|                                | 37,785          | 37,785          |
| Less: accumulated amortization | <u>(37,785)</u> | <u>(37,785)</u> |
|                                | <u>\$ -</u>     | <u>\$ -</u>     |

Amortization expense for the year ended June 30, 2018 was \$3,778.

**NOTE J - LEASE COMMITMENTS**

In July 2014, the Council signed a lease agreement for use of its office space. The original lease expires in February of 2020 but has been extended to February of 2025. The lease agreement required the Council to pay a security deposit and the first month's rent. Rent expense was \$47,200 and \$41,762 for the years ended June 30, 2019 and 2018, respectively. The Council is reimbursed for a portion of their rent expense from the Action Fund and Conservation Ohio which totaled \$6,600 and \$9,900 for the years ended June 30, 2019 and 2018, respectively.

**THE OHIO ENVIRONMENTAL COUNCIL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Years ended June 30, 2019 and 2018

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**NOTE J - LEASE COMMITMENTS (CONTINUED)**

At June 30, 2019, future minimum lease payments under the non-cancelable operating lease are as follows:

| Year ended June 30, |                   |
|---------------------|-------------------|
| 2020                | \$ 58,617         |
| 2021                | 69,615            |
| 2022                | 76,128            |
| 2023                | 77,409            |
| 2024                | 78,690            |
| 2025                | <u>46,339</u>     |
|                     | <u>\$ 406,798</u> |

**NOTE K - RETIREMENT PLAN**

On February 1, 2003, the Council 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 Council may elect to match each participating employee's deferral up to 3% of compensation. Alternatively, the Council may elect to contribute 2% of each employee's salary regardless of whether the employee defers under the plan. The Council elected to match participating employees' deferral up to a maximum of 3% of compensation for the June 30, 2019 and 2018 fiscal years.

Retirement plan expense was \$33,715 and \$21,519 for the years ended June 30, 2019 and 2018, respectively.

**NOTE L - CONCENTRATIONS**

During the year ended June 30, 2019 and 2018, the Council received approximately 67% and 61%, respectively, of its grant revenues from three to four foundations. The Council is pursuing other grants and increasing fund-raising efforts to offset this concentration.

**NOTE M - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of funds to be used for scenic rivers. These funds have a purpose restriction and are restricted in perpetuity. The balance of the net assets with donor restrictions as of June 30, 2019 was:

|                          |                  |
|--------------------------|------------------|
| Investments - restricted | \$ 64,595        |
| Pledge receivable        | <u>15,000</u>    |
|                          | <u>\$ 79,595</u> |

**THE OHIO ENVIRONMENTAL COUNCIL**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Years ended June 30, 2019 and 2018

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**NOTE N - RESTRICTED ENDOWMENT**

The Council's endowment consists of a donor restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment is in an investment account and is reported as restricted investments on the statement of financial position.

Changes in endowment net assets for the year ended June 30, 2019 is as follows:

|                                             | <u>Original<br/>Gift Amount</u> | <u>Accumulated<br/>Earnings</u> | <u>Total</u>     |
|---------------------------------------------|---------------------------------|---------------------------------|------------------|
| Endowment net assets, beginning of year     | \$ -                            | \$ -                            | \$ -             |
| Contributions                               | 61,958                          | -                               | 61,958           |
| Investment return:                          |                                 |                                 |                  |
| Investment income, net                      | -                               | 5                               | 5                |
| Realized and unrealized gain on investments | <u>-</u>                        | <u>2,632</u>                    | <u>2,632</u>     |
|                                             | -                               | 2,637                           | 2,637            |
| Appropriation for expenditures              | <u>-</u>                        | <u>-</u>                        | <u>-</u>         |
| Endowment assets, end of year               | <u>\$ 61,958</u>                | <u>\$ 2,637</u>                 | <u>\$ 64,595</u> |

As of June 30, 2019, the Council has not yet adopted a formal spending policy or investment strategy.

**NOTE O - SUBSEQUENT EVENTS**

The Council has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued. The Council has determined that there were no subsequent events that required disclosure through the evaluation date.