

**THE OHIO ENVIRONMENTAL
COUNCIL**

FINANCIAL REPORT

June 30, 2021 and 2020

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 nonprofit corporation) which comprise the statements of financial position as of June 30, 2021 and 2020, 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 (collectively, 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 auditors consider 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, 2021 and 2020, 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 10, 2021

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash	\$ 2,336,988	\$ 1,883,940
Investments	342,973	245,012
Grants receivable	61,500	84,500
Pledges receivable, current portion	15,000	35,000
Related party receivable	43,244	98,312
Accounts receivable - other	-	754
Prepaid expenses	17,198	11,254
Total current assets	<u>2,816,903</u>	<u>2,358,772</u>
Furniture, Equipment, and Improvements, net	8,714	9,745
Other Assets		
Pledges receivable, net of current portion	-	10,000
Investments - restricted	90,818	70,769
Beneficial interest in assets held by		
The Cleveland Foundation	12,885	9,980
Total other assets	<u>103,703</u>	<u>90,749</u>
Total assets	<u><u>\$ 2,929,320</u></u>	<u><u>\$ 2,459,266</u></u>

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

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 131,300	\$ 64,643
Accrued expenses:		
Accrued payroll and vacation expenses	155,442	149,657
Other	27,624	2,739
Refundable advances	<u>252,008</u>	<u>539,355</u>
Total current liabilities	566,374	756,394
Other Liabilities		
Paycheck Protection Program loan	<u>-</u>	<u>316,600</u>
Total liabilities	566,374	1,072,994
Net Assets		
Without Donor Restrictions	2,144,628	1,207,980
With Donor Restrictions	<u>218,318</u>	<u>178,292</u>
Total net assets	<u>2,362,946</u>	<u>1,386,272</u>
 Total liabilities and net assets	 <u>\$ 2,929,320</u>	 <u>\$ 2,459,266</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contracts	\$ 2,074,397	\$ 120,000	\$ 2,194,397
Contributions	726,999	-	726,999
Other revenues	93,596	-	93,596
Net assets released from restrictions	<u>95,023</u>	<u>(95,023)</u>	<u>-</u>
Total revenue and support	2,990,015	24,977	3,014,992
Operating Expenses			
Program	2,023,262	-	2,023,262
Administrative	261,792	-	261,792
Fundraising	<u>190,978</u>	<u>-</u>	<u>190,978</u>
Total operating expenses	<u>2,476,032</u>	<u>-</u>	<u>2,476,032</u>
Changes in net assets from operations	513,983	24,977	538,960
Other Income			
Realized and unrealized gain/(loss) on investments	101,394	13,488	114,882
Investment income, net	3,885	1,561	5,446
Forgiveness of Paycheck Protection Program loan	316,600	-	316,600
Miscellaneous income	<u>786</u>	<u>-</u>	<u>786</u>
Total other income	<u>422,665</u>	<u>15,049</u>	<u>437,714</u>
Change in net assets	936,648	40,026	976,674
Net Assets			
Beginning of year	<u>1,207,980</u>	<u>178,292</u>	<u>1,386,272</u>
End of year	<u>\$ 2,144,628</u>	<u>\$ 218,318</u>	<u>\$ 2,362,946</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contracts	\$ 1,117,889	\$ 97,523	\$ 1,215,412
Contributions	805,184	6,000	811,184
In-kind contributions	14,080	-	14,080
Other revenues	49,007	-	49,007
Net assets released from restrictions	<u>158,333</u>	<u>(158,333)</u>	<u>-</u>
Total revenue and support	2,144,493	(54,810)	2,089,683
Operating Expenses			
Program	1,747,717	-	1,747,717
Administrative	283,919	-	283,919
Fundraising	<u>357,331</u>	<u>-</u>	<u>357,331</u>
Total operating expenses	<u>2,388,967</u>	<u>-</u>	<u>2,388,967</u>
Changes in net assets from operations	(244,474)	(54,810)	(299,284)
Other Income			
Realized and unrealized gain/(loss) on investments	8,557	(1,535)	7,022
Investment income, net	12,084	1,709	13,793
Miscellaneous Income	<u>7,826</u>	<u>-</u>	<u>7,826</u>
Total other income	<u>28,467</u>	<u>174</u>	<u>28,641</u>
Change in net assets	(216,007)	(54,636)	(270,643)
Net Assets			
Beginning of year	<u>1,423,987</u>	<u>232,928</u>	<u>1,656,915</u>
End of year	<u>\$ 1,207,980</u>	<u>\$ 178,292</u>	<u>\$ 1,386,272</u>

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

THE OHIO ENVIRONMENTAL COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 1,228,963	\$ 201,029	\$ 84,110	\$ 1,514,102
Contributions	60,600	1,000	-	61,600
Depreciation	756	113	76	945
Insurance	3,913	637	267	4,817
IT, equipment, supplies	38,759	7,481	9,104	55,344
Media and resources	55,991	-	-	55,991
Memberships and permits	7,993	1,082	95	9,170
Miscellaneous	22	2,216	154	2,392
Occupancy	70,431	11,564	4,841	86,836
Postage	379	2,060	19,581	22,020
Printing	12,330	12,577	34,005	58,912
Purchased services	500,519	20,365	34,990	555,874
Special and program events	31,982	-	1,550	33,532
Travel	10,624	1,668	2,205	14,497
Total operating expenses	<u>\$ 2,023,262</u>	<u>\$ 261,792</u>	<u>\$ 190,978</u>	<u>\$ 2,476,032</u>

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

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2020

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 1,097,219	\$ 240,153	\$ 244,244	\$ 1,581,616
Contributions	88,814	1,969	-	90,783
Depreciation	1,075	301	252	1,628
In-kind expenses	14,080	-	-	14,080
Interest	-	929	74	1,003
Insurance	793	203	168	1,164
IT, equipment, supplies	32,716	6,955	10,477	50,148
Media and resources	852	-	1,113	1,965
Memberships and permits	5,673	225	945	6,843
Miscellaneous	873	3,304	622	4,799
Occupancy	55,374	15,012	12,500	82,886
Postage	731	921	17,947	19,599
Printing	34,938	9,444	26,329	70,711
Purchased services	286,045	610	37,391	324,046
Special and program events	71,997	1,812	114	73,923
Travel	<u>56,537</u>	<u>2,081</u>	<u>5,155</u>	<u>63,773</u>
 Total operating expenses	 <u>\$ 1,747,717</u>	 <u>\$ 283,919</u>	 <u>\$ 357,331</u>	 <u>\$ 2,388,967</u>

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

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from:		
Grants and contracts	\$ 1,930,050	\$ 2,174,437
Contributions	756,999	796,184
Administrative fees and other revenue	93,596	49,007
Investment income	5,446	13,793
Miscellaneous income	<u>1,626</u>	<u>7,072</u>
	2,787,717	3,040,493
Cash paid for:		
Program	1,876,811	1,812,286
Administrative	260,847	282,291
Fundraising	<u>190,978</u>	<u>357,331</u>
	<u>2,328,636</u>	<u>2,451,908</u>
Net cash provided by operating activities	459,081	588,585
Cash Flows from Investing Activities		
Purchase of furniture, equipment and improvements	-	(4,887)
Purchase of investments	<u>(6,033)</u>	<u>(5,371)</u>
Net cash used in investing activities	(6,033)	(10,258)
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>316,600</u>
Net change in cash	453,048	894,927
Cash Balance		
Beginning of year	<u>1,883,940</u>	<u>989,013</u>
End of year	<u>\$ 2,336,988</u>	<u>\$ 1,883,940</u>
Supplemental Schedule of Non-Cash Operating Activities		
In-kind contributions	<u>\$ -</u>	<u>\$ 14,080</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	\$ 976,674	\$ (270,643)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	945	1,628
Reimburse of depreciation expense from related entities	86	-
Realized and unrealized gain on investments	(114,882)	(7,022)
Forgiveness of Paycheck Protection loan	(316,600)	-
(Increase)/decrease in operating assets:		
Grants receivable	23,000	642,737
Pledges receivable	30,000	(15,000)
Related party receivable	55,068	(98,312)
Accounts receivable - other	754	(754)
Prepaid expenses	(5,944)	(1,672)
Increase/(decrease) in operating liabilities:		
Accounts payable	66,657	7,832
Accrued expenses	30,670	22,777
Refundable advances	(287,347)	316,288
Related party payable	-	(9,274)
	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>\$ 459,081</u>	<u>\$ 588,585</u>

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

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - DESCRIPTION OF ORGANIZATION

The Ohio Environmental Council (the "Council") is a private nonprofit 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 ("U.S. GAAP").

Net assets, 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. Also, they represent endowment funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only income utilized.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions 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.

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, 2021 and 2020 were \$2,085,957 and \$1,625,279, 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)

June 30, 2021 and 2020

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 \$5,000. 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:

Furniture and equipment	5-10 years
Leasehold improvements	15 years

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

3. *Investment Valuation and Income Recognition*

Investments are reported at fair value. The Council's management determines the valuation policies utilizing information provided by the investment advisor. See note C8 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes the Council's interest and dividends, net of applicable fees. Realized and unrealized gain/(loss) on investments includes the net gains and losses on investments bought and sold as well as held during the year.

4. *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.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

5. *Revenue Recognition*

Grants and Contracts

A portion of the Council's revenue is derived from various cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Council has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Council was awarded cost-reimbursable grants that have not been recognized at June 30, 2021 and 2020 because qualifying expenditures have not yet been incurred, with advance payments of \$252,008 and \$539,355, respectively, recognized in the statement of financial position as refundable advances.

When eligible expenditures are incurred and the grant funds have not yet been received, a grant receivable is reported on the statement of financial position. Management determines the allowance for doubtful accounts by identifying specific troubled accounts. Amounts are written off when deemed uncollectible. As of June 30, 2021 and 2020, there was no allowance for doubtful accounts.

Contributions

The Council recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

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, 2021 and 2020, 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 program-based fund-raiser. This revenue is offset by like amounts included in expenses. During the years ended June 30, 2021 and 2020 the value of in-kind contributions were \$0 and \$14,080, respectively.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

5. *Revenue Recognition (Continued)*

Special and Program Events

The Council records special events revenue when the event takes place and is recorded in contribution revenue.

Administrative Fees/Other Revenues

The Council receives fiscal agent fees for administering certain projects with unrelated entities. These revenues are recognized as the Council performs the administrative tasks and are recorded in other revenues.

6. *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.

7. *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, 2021 and 2020, 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.

8. *Fair Value Measurements*

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 OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

8. *Fair Value Measurements (Continued)*

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.

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, 2021 and 2020 fiscal years:

Government Bond Mutual Funds, Equity Mutual Funds, and Money Market 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 held of the Cleveland Foundation's investment pool; 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 U.S. 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.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE D - FINANCIAL ASSETS AND LIQUIDITY

The following table reflects the Council's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 2,336,988	\$ 1,883,940
Investments	342,973	245,012
Grants receivable	61,500	84,500
Pledges receivable, current portion	15,000	35,000
Related party receivable	43,244	98,312
Investments - restricted	90,818	70,769
Beneficial interest in assets held by The Cleveland Foundation	<u>12,885</u>	<u>9,980</u>
Financial assets, at year-end	2,903,408	2,427,513
Less those not available for general expenditures within one year:		
Assets restricted by donors with purpose restrictions	<u>218,318</u>	<u>173,292</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,685,090</u>	<u>\$ 2,254,221</u>

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. The Council anticipates collecting revenues sufficient to cover operating expenses. In addition, the Board of Directors has established an operating reserve that could be utilized for future obligations.

NOTE E - PLEDGES 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 2021. One half of the installment is to fund the Council's operations, and the other half is a restricted contribution. As of June 30, 2021 and 2020, \$20,000 and \$30,000 was owed to the Council. During the year-ended June 30, 2020, another \$25,000 pledge was made and paid during the year ended June 30, 2021. The pledges receivable as of June 30, 2021 were \$15,000 and are due within one year.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE F - INVESTMENTS

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

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
UNRESTRICTED				
Money market funds	\$ 2,459	\$ -	\$ -	\$ 2,459
Equity mutual funds	340,514	-	-	340,514
Beneficial interest in The Cleveland Foundation	-	12,885	-	12,885
	<u>\$342,973</u>	<u>\$12,885</u>	<u>\$ -</u>	<u>\$355,858</u>
 RESTRICTED				
Government bond mutual fund	\$ 32,256	\$ -	\$ -	\$ 32,256
Money market funds	6,065	-	-	6,065
Equity mutual funds	52,497	-	-	52,497
	<u>\$ 90,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,818</u>
 June 30, 2020				
	Level 1	Level 2	Level 3	Total
UNRESTRICTED				
Money market funds	\$ 2,459	\$ -	\$ -	\$ 2,459
Equity mutual funds	242,553	-	-	242,553
Beneficial interest in The Cleveland Foundation	-	9,980	-	9,980
	<u>\$245,012</u>	<u>\$ 9,980</u>	<u>\$ -</u>	<u>\$254,992</u>
 RESTRICTED				
Government bond mutual fund	\$ 32,253	\$ -	\$ -	\$ 32,253
Money market funds	1,064	-	-	1,064
Equity mutual funds	37,452	-	-	37,452
	<u>\$ 70,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,769</u>

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE G - RELATED PARTY TRANSACTIONS

The Council has common board members, as well as common management, with the Ohio Environmental Council Action Fund, Inc. and affiliated entities (the "Action Fund"). Under the Action Fund's code of regulations, the Council has the right to appoint up to one-third of the Organizations' directors, therefore, consolidation is not required. 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 cost. 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 Political Action Committee ("Conservation Ohio"); Conservation Ohio will then reimburse the Action Fund for those expenses.

At June 30, 2021 and 2020, the Council has a receivable from the Action Fund of \$43,244 and \$98,312.

The shared expenses from the Action Fund for the years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Salaries and fringe benefits	\$ 137,976	\$ 188,819
Conferences and training	-	100
Contributions	20,042	-
Insurance	436	136
Media and resources	6,640	2,348
Miscellaneous	109	479
Occupancy	7,848	9,031
Professional services	59,517	8,986
Program	300	-
Supplies	4,754	4,789
Travel	85	2,805
	<u>\$ 237,707</u>	<u>\$ 217,493</u>

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE H - FURNITURE, EQUIPMENT, AND IMPROVEMENTS

As of June 30, 2021 and 2020, furniture, equipment, and improvements consists of:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 12,944	\$ 12,944
Furniture and equipment	<u>8,433</u>	<u>8,433</u>
	21,377	21,377
Less: Accumulated depreciation	<u>(12,663)</u>	<u>(11,632)</u>
	<u>\$ 8,714</u>	<u>\$ 9,745</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$945 and \$1,628, respectively.

NOTE I - 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 matches each participating employee's deferral up to 3% of compensation.

Retirement plan expense was \$36,082 and \$32,023 for the years ended June 30, 2021 and 2020, respectively.

NOTE J - LEASE COMMITMENTS

In July 2014, the Council signed a lease agreement for use of its office space. The original lease expired 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 \$62,002 and \$59,527 for the years ended June 30, 2021 and 2020, respectively. The Council is reimbursed for a portion of their rent expense from the Action Fund which totaled \$7,848 and \$9,031 for the years ended June 30, 2021 and 2020, respectively.

At June 30, 2021, future minimum lease payments under the non-cancelable operating lease are as follows:

Year ended June 30,	
2022	\$ 76,128
2023	77,409
2024	78,690
2025	<u>46,339</u>
	<u>\$278,566</u>

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE K - CONCENTRATIONS

During the years ended June 30, 2021 and 2020, the Council received approximately 70% of its grant revenues from four foundations. The Council is pursuing other grants and increasing fund-raising efforts to offset this concentration.

Approximately 50% of the Council's employees are covered by a collective bargaining agreement with the Chicago and Midwest Regional Joint Board, Workers United. The collective bargaining agreement is effective June 13, 2020 through June 30, 2023.

NOTE L - NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions consists of funds to be used for specific purposes (restricted for specific environmental initiatives) and other funds are restricted in perpetuity. The balance of the net assets with donor restrictions as of June 30, 2021 and 2020 was:

	<u>2021</u>	<u>2020</u>
Restricted grants for specific purposes	\$ 120,000	\$ 97,523
Endowment - principal restricted in perpetuity	72,958	67,958
Endowment - restricted accumulated earnings	17,860	2,811
Pledge receivable	7,500	10,000
	<u>\$ 218,318</u>	<u>\$ 178,292</u>

Net Assets without Donor Restrictions

The Council's policy regarding their operating reserve of the net assets without donor restrictions is to maintain 3 to 6 months of reserves available to cover future expenses. The balance of the net assets without donor restrictions as of June 30, 2021 and 2020 was:

	<u>2021</u>	<u>2020</u>
Designated operating reserve	\$ 1,212,642	\$ 1,105,767
Undesignated	931,986	102,213
	<u>\$ 2,144,628</u>	<u>\$ 1,207,980</u>

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE M - RESTRICTED ENDOWMENT

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Council's endowment consists completely of a donor restricted endowment fund as of June 30, 2021 and 2020. The original gift will remain in perpetuity and the investment earnings can be used for the state's scenic rivers water quality monitoring program.

Changes in endowment net assets for the years ended June 30, 2021 and June 30, 2020 are as follows:

	Original Gift Amount	Accumulated Earnings	Total
Endowment net assets, June 30, 2019	\$ 61,958	\$ 2,637	\$ 64,595
Contributions	6,000	-	6,000
Investment return:			
Investment income, net	-	1,709	1,709
Realized and unrealized loss	-	(1,535)	(1,535)
	-	174	174
Appropriation for expenditures	-	-	-
Endowment net assets, June 30, 2020	67,958	2,811	70,769
Contributions	5,000	-	5,000
Investment return:			
Investment income, net	-	1,561	1,561
Realized and unrealized gain/(loss)	-	13,488	13,488
	-	15,049	15,049
Appropriation for expenditures	-	-	-
Endowment net assets, June 30, 2021	<u>\$ 72,958</u>	<u>\$ 17,860</u>	<u>\$ 90,818</u>

As of June 30, 2021, the Council has not yet adopted a formal spending policy or investment strategy.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE N - COVID-19 PANDEMIC IMPACT AND PAYCHECK PROTECTION PROGRAM

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary business closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant impact upon many sectors of the economy, including the industries in which the Council operates.

During the June 30, 2021 fiscal year, the impact of the pandemic has been a reduction in individual contributions, additional expenses to ensure productivity while employees are working remotely, a focus of management and staff on how to operate during the pandemic, cancellation of the Green Gala event, and a change in current projects to focus on support of Ohioans dealing with environmental impacts during the quarantine and to monitor business sectors who were excused from environmental reporting requirements.

While the impact of the pandemic on future years is unknown, there have been postponed events, a change in events from in-person to virtual, and continued reduction in individual contributions and additional expenses as incurred in the June 30, 2021 fiscal year.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law. The CARES Act, among other things, created the Paycheck Protection Program ("PPP") to be administered by the U.S. Small Business Administration. In April 2020, the Council received \$316,600 unsecured loan under the PPP. Provisions of the PPP allow for partial or full forgiveness of the loan provided the proceeds are used for covered expenditures and certain other requirements are satisfied. The loan accrues interest at the rate of 1%. The Council's PPP loan was approved for forgiveness on January 11, 2021, resulting in non-operating forgiveness of the PPP loan income being reported in the Statement of Activities and Changes in Net Assets.

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.