

**THE OHIO ENVIRONMENTAL
COUNCIL**

FINANCIAL REPORT

June 30, 2022 and 2021

THE OHIO ENVIRONMENTAL COUNCIL

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of The Ohio Environmental Council (an Ohio nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, 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").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Ohio Environmental Council as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Ohio Environmental Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audits of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Ohio Environmental Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ohio Environmental Council's ability to continue as a going concern for a reasonable period of time.

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

Meloney + Novaty LLC

Columbus, Ohio
September 9, 2022

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 1,606,648 | \$ 2,336,988 |
| Investments | 1,784,205 | 342,973 |
| Grants receivable | - | 61,500 |
| Pledges receivable | - | 15,000 |
| Related party receivable | 30,941 | 43,244 |
| Interest receivable | 1,820 | - |
| Prepaid expenses | 6,479 | 17,198 |
| Total current assets | 3,430,093 | 2,816,903 |
| Furniture, Equipment, and Improvements, net | 36,244 | 8,714 |
| Other Assets | | |
| Investments - restricted | 88,837 | 90,818 |
| Beneficial interest in assets held by The Cleveland Foundation | 10,878 | 12,885 |
| Total other assets | 99,715 | 103,703 |
| Total assets | \$ 3,566,052 | \$ 2,929,320 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 155,666 | \$ 131,300 |
| Accrued expenses: | | |
| Accrued payroll and vacation expenses | 125,804 | 155,442 |
| Other | - | 27,624 |
| Refundable advances | 646,090 | 252,008 |
| Total current liabilities | 927,560 | 566,374 |
| Net Assets | | |
| Without Donor Restrictions | 2,468,575 | 2,144,628 |
| With Donor Restrictions | 169,917 | 218,318 |
| Total net assets | 2,638,492 | 2,362,946 |
| Total liabilities and net assets | \$ 3,566,052 | \$ 2,929,320 |

The accompanying 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, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Revenue and Support | | | |
| Grants and contracts | \$ 2,364,632 | \$ 81,080 | \$ 2,445,712 |
| Contributions | 765,954 | - | 765,954 |
| Special event | 65,781 | - | 65,781 |
| Administrative fees and other revenues | 5,000 | - | 5,000 |
| Net assets released from restrictions | <u>122,500</u> | <u>(122,500)</u> | <u>-</u> |
| Total revenue and support | 3,323,867 | (41,420) | 3,282,447 |
| Operating Expenses | | | |
| Program | 2,555,115 | - | 2,555,115 |
| Administrative | 189,160 | - | 189,160 |
| Fundraising | <u>204,133</u> | <u>-</u> | <u>204,133</u> |
| Total operating expenses | <u>2,948,408</u> | <u>-</u> | <u>2,948,408</u> |
| Changes in net assets from operations | 375,459 | (41,420) | 334,039 |
| Other Income | | | |
| Realized and unrealized gain/(loss) on investments | (51,348) | (10,582) | (61,930) |
| Investment income, net | <u>(164)</u> | <u>3,601</u> | <u>3,437</u> |
| Total other income | <u>(51,512)</u> | <u>(6,981)</u> | <u>(58,493)</u> |
| Change in net assets | 323,947 | (48,401) | 275,546 |
| Net Assets | | | |
| Beginning of year | <u>2,144,628</u> | <u>218,318</u> | <u>2,362,946</u> |
| End of year | <u>\$ 2,468,575</u> | <u>\$ 169,917</u> | <u>\$ 2,638,492</u> |

The accompanying 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 |
| Administrative fees and 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 accompanying notes are an integral part of these financial statements.

THE OHIO ENVIRONMENTAL COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

| | <u>Program</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------|-------------------------|-----------------------|-----------------------|-------------------------|
| Salaries and fringe benefits | \$ 1,446,948 | \$ 150,498 | \$ 87,590 | \$ 1,685,036 |
| Contributions | 55,751 | - | - | 55,751 |
| Depreciation | - | 3,906 | - | 3,906 |
| Insurance | 5,786 | - | 522 | 6,308 |
| IT, equipment, and supplies | 63,853 | 6,929 | 19,111 | 89,893 |
| Media and resources | 84,001 | 904 | 1,071 | 85,976 |
| Memberships and permits | 13,342 | 446 | 2,494 | 16,282 |
| Miscellaneous | 11,015 | - | 2,611 | 13,626 |
| Occupancy | 91,023 | 8,528 | 5,031 | 104,582 |
| Postage | - | 1,019 | 19,713 | 20,732 |
| Printing | 15,967 | 13,257 | 40,968 | 70,192 |
| Purchased services | 684,007 | - | 20,269 | 704,276 |
| Special and program events | 42,181 | 3,673 | 500 | 46,354 |
| Travel | <u>41,241</u> | <u>-</u> | <u>4,253</u> | <u>45,494</u> |
| Total operating expenses | <u>\$ 2,555,115</u> | <u>\$ 189,160</u> | <u>\$ 204,133</u> | <u>\$ 2,948,408</u> |

The accompanying 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, and 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 | <u>10,624</u> | <u>1,668</u> | <u>2,205</u> | <u>14,497</u> |
| Total operating expenses | <u>\$ 2,023,262</u> | <u>\$ 261,792</u> | <u>\$ 190,978</u> | <u>\$ 2,476,032</u> |

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

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Cash received from: | | |
| Grants and contracts | \$ 2,901,294 | \$ 1,930,050 |
| Contributions | 846,735 | 756,999 |
| Administrative fees and other revenue | 5,000 | 93,596 |
| Investment income | 1,617 | 5,446 |
| Other | <u>299</u> | <u>1,626</u> |
| | 3,754,945 | 2,787,717 |
| Cash paid for: | | |
| Salaries and fringe benefits | 1,714,674 | 1,508,317 |
| Purchased services | 679,910 | 489,217 |
| Other operating costs | <u>559,792</u> | <u>331,102</u> |
| | <u>2,954,376</u> | <u>2,328,636</u> |
| Net cash provided by operating activities | 800,569 | 459,081 |
| Cash Flows from Investing Activities | | |
| Purchase of furniture, equipment, and improvements | (31,735) | - |
| Purchase of investments | <u>(1,499,174)</u> | <u>(6,033)</u> |
| Net cash used in investing activities | <u>(1,530,909)</u> | <u>(6,033)</u> |
| Net change in cash | (730,340) | 453,048 |
| Cash Balance | | |
| Beginning of year | <u>2,336,988</u> | <u>1,883,940</u> |
| End of year | <u>\$ 1,606,648</u> | <u>\$ 2,336,988</u> |

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

THE OHIO ENVIRONMENTAL COUNCIL

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|----------------|----------------|
| Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Change in net assets | \$ 275,546 | \$ 976,674 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 3,906 | 945 |
| Reimbursement of depreciation expense from related entities | 299 | 86 |
| Realized and unrealized loss/(gain) on investments | 61,930 | (114,882) |
| Forgiveness of Paycheck Protection Program loan | - | (316,600) |
| (Increase)/decrease in operating assets: | | |
| Grants receivable | 61,500 | 23,000 |
| Pledges receivable | 15,000 | 30,000 |
| Related party receivable | 12,303 | 55,068 |
| Interest receivable | (1,820) | - |
| Accounts receivable - other | - | 754 |
| Prepaid expenses | 10,719 | (5,944) |
| Increase/(decrease) in operating liabilities: | | |
| Accounts payable | 24,366 | 66,657 |
| Accrued expenses | (57,262) | 30,670 |
| Refundable advances | 394,082 | (287,347) |
| Net cash provided by operating activities | \$ 800,569 | \$ 459,081 |

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

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021 were \$1,349,403 and \$2,085,957, 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, 2022 and 2021

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. 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, 2022 and 2021

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, 2022 and 2021 because qualifying expenditures have not yet been incurred, with advance payments of \$646,090 and \$252,008, 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, 2022 and 2021, 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, 2022 and 2021, 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 fundraiser. This revenue is offset by like amounts included in expenses. During the year ended June 30, 2022 \$1,743 in in-kind contributions were received and none were received in the year ended June 30, 2021.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

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 and 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.

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 and therefore has made no provision for federal income taxes in the accompanying financial statements.

The Council's evaluation on June 30, 2022 and 2021, 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, 2022 and 2021

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.

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, 2022 and 2021 fiscal years:

Money Market Accounts: Interest-bearing accounts the Council has elected to treat as investments as the intended purpose of the funds is to act as an investment. These funds are classified as Level 1.

Equity and Money Market 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. These funds are classified as Level 1.

U.S. Treasury Notes: Valued based on quoted market prices in active markets and are classified as Level 1. The Council believes the market for U.S. Treasury notes is an actively traded market given the high level of daily trading volume. The Notes mature in 1 to 2 years.

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.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE C - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

NOTE D - FINANCIAL ASSETS AND LIQUIDITY

The following table reflects the Council's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditures within one year:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash | \$ 1,606,648 | \$ 2,336,988 |
| Investments | 1,784,205 | 342,973 |
| Grants receivable | - | 61,500 |
| Pledges receivable, current portion | - | 15,000 |
| Related party receivable | 30,941 | 43,244 |
| Interest receivable | 1,820 | - |
| Investments - restricted | 88,837 | 90,818 |
| Beneficial interest in assets held by The Cleveland Foundation | <u>10,878</u> | <u>12,885</u> |
| Financial assets, at year-end | 3,523,329 | 2,903,408 |
| Less those not available for general expenditures within one year: | | |
| Assets restricted by donors with purpose restrictions | <u>169,917</u> | <u>218,318</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 3,353,412</u> | <u>\$ 2,685,090</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.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

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. The amount owed to the Council from this pledge as of June 30, 2021 was \$15,000 and was paid during the year ended June 30, 2022. During the year ended June 30, 2020, another \$25,000 pledge was made and paid during the year ended June 30, 2021. There were no pledges receivable as of June 30, 2022 and the pledges receivable as of June 30, 2021 were \$15,000.

NOTE F - INVESTMENTS

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

| | June 30, 2022 | | | |
|---|---------------------|-----------------|-------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| UNRESTRICTED | | | | |
| Money market accounts | \$ 2,459 | \$ - | \$ - | \$ 2,459 |
| Equity mutual funds | 295,688 | - | - | 295,688 |
| U.S. Treasury notes | 1,486,058 | - | - | 1,486,058 |
| Beneficial interest in The Cleveland Foundation | - | 10,878 | - | 10,878 |
| | <u>\$ 1,784,205</u> | <u>\$10,878</u> | <u>\$ -</u> | <u>\$1,795,083</u> |
| RESTRICTED | | | | |
| Money market mutual funds | \$ 32,281 | \$ - | \$ - | \$ 32,281 |
| Equity mutual funds | 45,491 | - | - | 45,491 |
| Money market accounts | 11,065 | - | - | 11,065 |
| | <u>\$ 88,837</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 88,837</u> |
| | | | | |
| | June 30, 2021 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| UNRESTRICTED | | | | |
| Money market accounts | \$ 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 | | | | |
| Money market mutual funds | \$ 32,256 | \$ - | \$ - | \$ 32,256 |
| Equity mutual funds | 52,497 | - | - | 52,497 |
| Money market accounts | 6,065 | - | - | 6,065 |
| | <u>\$ 90,818</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 90,818</u> |

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

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, 2022 and 2021, the Council has a receivable from the Action Fund of \$30,941 and \$43,244.

The shared expenses from the Action Fund for the years ended June 30, 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------|-------------------|
| Salaries and fringe benefits | \$ 126,782 | \$ 137,976 |
| Contributions | - | 20,042 |
| Insurance | 570 | 436 |
| Media and resources | 5,400 | 6,640 |
| Occupancy | 7,905 | 7,848 |
| Other | 298 | 109 |
| Professional services | 12,130 | 59,517 |
| Special programs and events | 307 | 300 |
| Supplies | 6,371 | 4,754 |
| Travel | 1,415 | 85 |
| | <u>\$ 161,178</u> | <u>\$ 237,707</u> |

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE H - FURNITURE, EQUIPMENT, AND IMPROVEMENTS

As of June 30, 2022 and 2021, furniture, equipment, and improvements consists of:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|------------------|-----------------|
| Leasehold improvements | \$ 44,679 | \$ 12,944 |
| Furniture and equipment | <u>8,433</u> | <u>8,433</u> |
| | 53,112 | 21,377 |
| Less: Accumulated depreciation | <u>(16,868)</u> | <u>(12,663)</u> |
| | <u>\$ 36,244</u> | <u>\$ 8,714</u> |

Depreciation expense for the years ended June 30, 2022 and 2021 was \$3,906 and \$945, 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 \$39,744 and \$36,082 for the years ended June 30, 2022 and 2021, respectively.

NOTE J - LEASE COMMITMENTS

In July 2014, the Council signed a lease agreement for its Columbus, Ohio office, which has been extended and expires in February 2025. The lease agreement initially required a security deposit and the first month's rent and requires a monthly rent payment.

In September 2021, the Council signed a lease agreement for office space in Cleveland, Ohio, which expires September 2023. The lease agreement initially required a security deposit and the first month's rent and requires a monthly rent payment.

The Council is reimbursed for a portion of their rent expense from the Action Fund which totaled \$5,864 and \$5,625 for the years ended June 30, 2022 and 2021, respectively. Rent expense, less amounts reimbursed by the Action Fund was \$77,153 and \$62,002 for the years ended June 30, 2022 and 2021, respectively.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE J - LEASE COMMITMENTS (CONTINUED)

At June 30, 2022, future minimum lease payments under the non-cancelable operating lease are as follows:

| Year ended June 30, | |
|---------------------|-------------------|
| 2023 | \$ 86,148 |
| 2024 | 80,896 |
| 2025 | 46,339 |
| | <u>\$ 213,383</u> |

NOTE K - CONCENTRATIONS

During the years ended June 30, 2022 and 2021, the Council received approximately 70%-75% 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 purposes including clean energy, justice, and democracy environmental initiatives) and other funds are restricted in perpetuity. The balance of the net assets with donor restrictions as of June 30, 2022 and 2021 was:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Restricted grants for specific purposes | \$ 81,080 | \$ 120,000 |
| Endowment - principal restricted in perpetuity | 77,958 | 72,958 |
| Endowment - restricted accumulated earnings | 10,879 | 17,860 |
| Pledge receivable | - | 7,500 |
| | <u>\$ 169,917</u> | <u>\$ 218,318</u> |

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE L - NET ASSETS (CONTINUED)

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, 2022 and 2021 was:

| | 2022 | 2021 |
|------------------------------|--------------|--------------|
| Designated operating reserve | \$ 1,356,111 | \$ 1,212,642 |
| Undesignated | 1,112,464 | 931,986 |
| | \$ 2,468,575 | \$ 2,144,628 |

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, 2022 and 2021. The original gift will remain in perpetuity and the investment earnings can be used for the state's scenic rivers water quality monitoring program. The Council has elected not to use the investment earnings during the years ended June 30, 2022 and 2021.

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

| | Original Gift Amount | Accumulated Earnings | Total |
|-------------------------------------|-------------------------|-------------------------|-----------|
| Endowment net assets, June 30, 2021 | \$ 72,958 | \$ 17,860 | \$ 90,818 |
| Contributions | 5,000 | - | 5,000 |
| Investment return: | | | |
| Investment income, net | - | 3,601 | 3,601 |
| Realized and unrealized gain/(loss) | - | (10,582) | (10,582) |
| | - | (6,981) | (6,981) |
| Appropriation for expenditures | - | - | - |
| Endowment net assets, June 30, 2022 | \$ 77,958 | \$ 10,879 | \$ 88,837 |

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE M - RESTRICTED ENDOWMENT (CONTINUED)

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

| | Original <u>Gift Amount</u> | Accumulated <u>Earnings</u> | <u>Total</u> |
|-------------------------------------|--------------------------------|--------------------------------|------------------|
| 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, 2022, the Council has not yet adopted a formal spending policy or investment strategy.

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

On March 11, 2020, the World Health Organization 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 industry in which the Council operates.

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 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 during the year ended June 30, 2021.

THE OHIO ENVIRONMENTAL COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE N - COVID-19 PANDEMIC IMPACT AND PAYCHECK PROTECTION PROGRAM (CONTINUED)

During the June 30, 2021 fiscal year, the impact of the pandemic has been a reduction in individual contributions, postponement of events, a change in events from in-person to virtual, additional expenses to ensure productivity while employees are working remotely, a focus of management and staff on how to operate during the pandemic, 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, the Council's Green Gala event was held, staff has begun to operate under a hybrid working environment, and there has been a continued focus on operations in the June 30, 2022 fiscal year.

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.