

**THE OHIO ENVIRONMENTAL  
COUNCIL**

**FINANCIAL REPORT**

June 30, 2024 and 2023

# 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, 2024 and 2023, and the related statements of activities, 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, 2024 and 2023, 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 Audits 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.



Columbus, Ohio  
January 20, 2025

**THE OHIO ENVIRONMENTAL COUNCIL**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 464,926	\$ 306,641
Investments, at fair value	2,957,357	2,760,271
Grants receivable	54,000	53,333
Promises to give	-	1,637
Related party receivable	258,378	51,455
Interest receivable	9,105	2,652
Prepaid expenses	198	189
Total current assets	<u>3,743,964</u>	<u>3,176,178</u>
<b>Property and Equipment, net</b>	600,412	32,040
<b>Intangibles</b>	8,625	-
<b>Investments, at fair value - restricted</b>	106,076	102,099
<b>Beneficial interest in assets held by The Cleveland Foundation</b>	14,415	12,904
<b>Right-of-use asset - operating, net</b>	<u>53,965</u>	<u>124,411</u>
Total assets	<u><u>\$ 4,527,457</u></u>	<u><u>\$ 3,447,632</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 92,589	\$ 91,651
Accrued payroll liabilities	183,391	149,379
Other accrued expenses	3,251	-
Refundable advances	1,115,601	381,125
Current portion of operating lease liability	45,076	76,184
Total current liabilities	<u>1,439,908</u>	<u>698,339</u>
<b>Operating Lease Liability, net of current portion</b>	<u>-</u>	<u>39,386</u>
Total liabilities	1,439,908	737,725
<b>Net Assets</b>		
Without donor restrictions	2,832,973	2,576,505
With donor restrictions	254,576	133,402
Total net assets	<u>3,087,549</u>	<u>2,709,907</u>
Total liabilities and net assets	<u><u>\$ 4,527,457</u></u>	<u><u>\$ 3,447,632</u></u>

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

# THE OHIO ENVIRONMENTAL COUNCIL

## STATEMENTS OF ACTIVITIES

Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Grants and contracts	\$ 2,406,991	\$ 148,500	\$ 2,555,491
Contributions of cash and other financial assets	913,839	-	913,839
Special event	125,161	-	125,161
Administrative fees and other revenues	11,700	-	11,700
Net assets released from restrictions	<u>39,213</u>	<u>(39,213)</u>	<u>-</u>
Total revenue and support	3,496,904	109,287	3,606,191
<b>Operating Expenses</b>			
Program	2,694,004	-	2,694,004
Administrative	562,468	-	562,468
Fundraising	<u>252,117</u>	<u>-</u>	<u>252,117</u>
Total operating expenses	<u>3,508,589</u>	<u>-</u>	<u>3,508,589</u>
Change in net assets from operations	(11,685)	109,287	97,602
<b>Other Income</b>			
Realized and unrealized gain on investments	190,725	7,346	198,071
Investment income, net	30,504	4,541	35,045
Change in beneficial interest in assets held by The Cleveland Foundation	1,511	-	1,511
Miscellaneous income	<u>45,413</u>	<u>-</u>	<u>45,413</u>
Total other income	<u>268,153</u>	<u>11,887</u>	<u>280,040</u>
Change in net assets	256,468	121,174	377,642
<b>Net Assets</b>			
Beginning of year	<u>2,576,505</u>	<u>133,402</u>	<u>2,709,907</u>
End of year	<u>\$ 2,832,973</u>	<u>\$ 254,576</u>	<u>\$ 3,087,549</u>

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

**THE OHIO ENVIRONMENTAL COUNCIL**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Grants and contracts	\$ 2,528,163	\$ 31,303	\$ 2,559,466
Contributions of cash and other financial assets	813,909	-	813,909
Special event	90,758	-	90,758
Net assets released from restrictions	<u>76,080</u>	<u>(76,080)</u>	<u>-</u>
Total revenue and support	3,508,910	(44,777)	3,464,133
<b>Operating Expenses</b>			
Program	2,786,161	-	2,786,161
Administrative	554,856	-	554,856
Fundraising	<u>191,211</u>	<u>-</u>	<u>191,211</u>
Total operating expenses	<u>3,532,228</u>	<u>-</u>	<u>3,532,228</u>
Change in net assets from operations	(23,318)	(44,777)	(68,095)
<b>Other Income</b>			
Realized and unrealized gain on investments	112,419	3,942	116,361
Investment income, net	13,618	4,320	17,938
Change in beneficial interest in assets held by			
The Cleveland Foundation	2,026	-	2,026
Miscellaneous income	<u>3,185</u>	<u>-</u>	<u>3,185</u>
Total other income	<u>131,248</u>	<u>8,262</u>	<u>139,510</u>
Change in net assets	107,930	(36,515)	71,415
<b>Net Assets</b>			
Beginning of year	<u>2,468,575</u>	<u>169,917</u>	<u>2,638,492</u>
End of year	<u><u>\$ 2,576,505</u></u>	<u><u>\$ 133,402</u></u>	<u><u>\$ 2,709,907</u></u>

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

**THE OHIO ENVIRONMENTAL COUNCIL**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2024

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 1,793,632	\$ 298,588	\$ 126,025	\$ 2,218,245
Contributions	13,250	-	-	13,250
Depreciation	-	7,761	-	7,761
Insurance	-	9,652	-	9,652
IT, equipment, and supplies	54,378	-	13,050	67,428
Media and resources	35	125	-	160
Memberships and permits	22,218	1,464	1,788	25,470
Miscellaneous	12,520	2,020	179	14,719
Occupancy	93,924	5,988	8,202	108,114
Pass-through grants	378,300	-	-	378,300
Postage	108	1,713	23,786	25,607
Printing	12,037	13,217	39,442	64,696
Purchased services	169,734	200,912	33,054	403,700
Special and program events	80,398	14,672	675	95,745
Travel	<u>63,470</u>	<u>6,356</u>	<u>5,916</u>	<u>75,742</u>
Total operating expenses	<u>\$ 2,694,004</u>	<u>\$ 562,468</u>	<u>\$ 252,117</u>	<u>\$ 3,508,589</u>

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



**THE OHIO ENVIRONMENTAL COUNCIL**

**STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**

Year ended June 30, 2023

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 1,588,789	\$ 262,093	\$ 98,577	\$ 1,949,459
Contributions	24,456	1,350	-	25,806
Depreciation	-	3,956	-	3,956
Insurance	-	5,015	-	5,015
IT, equipment, and supplies	33,974	7,806	12,513	54,293
Media and resources	23,689	-	-	23,689
Memberships and permits	17,793	598	2,483	20,874
Miscellaneous	12,079	2,169	532	14,780
Occupancy	91,272	14,454	5,447	111,173
Pass-through grants	370,588	-	-	370,588
Postage	30	295	15,604	15,929
Printing	7,724	12,732	44,614	65,070
Purchased services	429,130	231,555	6,215	666,900
Special and program events	127,712	5,596	1,153	134,461
Travel	<u>58,925</u>	<u>7,237</u>	<u>4,073</u>	<u>70,235</u>
 Total operating expenses	 <u>\$ 2,786,161</u>	 <u>\$ 554,856</u>	 <u>\$ 191,211</u>	 <u>\$ 3,532,228</u>

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

# THE OHIO ENVIRONMENTAL COUNCIL

## STATEMENTS OF CASH FLOWS

Years ended June 30, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 377,642	\$ 71,415
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,761	3,956
Reimbursement of depreciation expense from related entities	461	248
Realized and unrealized gain on investments	(198,071)	(116,361)
Change in beneficial interest in assets held by The Cleveland Foundation	(1,511)	(2,026)
Amortization - right-of-use asset - operating	70,446	70,446
(Increase) decrease in operating assets:		
Grants receivable	(667)	(53,333)
Promises to give	1,637	(1,637)
Related party receivable	(206,923)	(20,514)
Interest receivable	(6,453)	(832)
Prepaid expenses	(9)	6,290
Increase (decrease) in operating liabilities:		
Accounts payable	938	(64,015)
Accrued payroll liabilities	34,012	23,575
Other accrued expenses	3,251	-
Refundable advances	734,476	(264,965)
Operating lease liability	(70,494)	(79,287)
Net cash provided by (used in) operating activities	746,496	(427,040)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(576,594)	-
Purchase of intangibles	(8,625)	-
Purchase of investments	(1,592,248)	(1,922,401)
Proceeds from sale or maturity of investments	1,589,256	1,049,434
Net cash used in investing activities	(588,211)	(872,967)
Net change in cash	158,285	(1,300,007)
<b>Cash Balance</b>		
Beginning of year	306,641	1,606,648
End of year	<u>\$ 464,926</u>	<u>\$ 306,641</u>

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

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS

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#### 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 - 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. *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").

2. *Basis of Presentation*

Net assets, revenues, and gains and 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:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed stipulations.

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 only income from the endowment fund be utilized while the principal be invested in perpetuity.

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 released to net assets without donor restrictions.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *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, 2024 and 2023 were \$215,218 and \$55,172, respectively. The Council believes it is not exposed to any significant credit risk on its cash balance and has not experienced any loss in such accounts.

4. *Property and Equipment*

The Council capitalizes property and equipment 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
Building	39 years

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

5. *Intangibles*

Intangibles are stated at cost. The Council capitalizes internally created websites when the useful life extends beyond one year. Amortization is computed using the straight-line method over the anticipated useful lives of the assets. The anticipated useful life of websites is estimated to be 3 years. Operational expenditures such as on-going site maintenance which do not extend the useful life of the applicable assets are charged to expenses as incurred. The Council's website was not placed in service during the year ended June 30, 2024 and the Council has not recorded amortization accordingly. The Council anticipates that the website will be placed in service during the year ended June 30, 2025, at which point the Council will begin recording amortization.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

6. *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's 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.

7. *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 B(11) 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 on investments on the statements of activities includes the net gains and losses on investments bought and sold as well as held during the year.

8. *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, 2024 and 2023 because qualifying expenditures have not yet been incurred, with advance payments of \$1,115,601 and \$381,125, respectively, recognized in the statement of financial position as refundable advances.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

##### 8. *Revenue Recognition (Continued)*

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 credit losses by performing an analysis on past collection patterns, current market conditions, and projections of estimated future economic factors. As of June 30, 2024 and 2023, management determined that all grant receivables are fully collectible and there was no allowance for credit losses.

##### Contributions of Cash and Other Financial Assets

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. The Council uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises. The Council received several unrestricted promises to give during the year ended June 30, 2023 that were expected to be collected during the year ended June 30, 2024. Accordingly, no allowance for uncollectible accounts has been recorded as of June 30, 2023. There were no promises to give as of June 30, 2024.

##### Contributions of Nonfinancial Assets

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, 2024 and 2023, 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. The value of in-kind contributions received during the years ended June 30, 2024 and 2023 was immaterial and is not recorded on the statements of activities. During the year ended June 30, 2024 and 2023, the Council received in-kind contributions of \$3,579 and \$4,734, respectively.

##### Special and Program Events

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

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

8. *Revenue Recognition (Continued)*

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. There were no fiscal agent fees received during the year ended June 30, 2023.

9. *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. Expenses allocated to programs and supporting activities include salaries and benefits, occupancy expenses, purchased services, and travel expenses.

10. *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, 2024 and 2023, 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.

11. *Fair Value Measurements*

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)

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

##### 11. *Fair Value Measurements (Continued)*

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 from 2023 to 2024:

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.

Money Market and Equity 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.

Common Stock: Valued at the closing price reported on the active market in which the individual securities are traded and are classified as Level 1.

Beneficial Interest in Assets Held by The Cleveland Foundation: The fair value of the Council's beneficial interest 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.

##### 12. *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)

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

13. *Leases*

The Council recognizes right-of-use ("ROU") assets and lease liabilities at the inception of a contract that contains a lease. ROU assets and lease liabilities are recognized at the present value of future lease payments over the lease term. If the rate implicit in the lease is not readily determinable, the Council has adopted the practical expedient to use the risk-free rate to discount future lease payments. The lease term used to determine the ROU assets and lease liabilities includes the non-cancellable period of the lease plus any options to extend the lease when the Council determines it is reasonably certain that the option will be exercised.

14. *New Accounting Pronouncement*

As of July 1, 2023, the Council adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* ("ASC 326"). ASC 326 replaced the incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected credit losses ("CECL") that are expected to occur over the lifetime of the underlying asset. The CECL methodology is applicable to the financial assets that are measured at amortized cost, including receivables from grants, interest, and related parties. The Council adopted ASC 326 using a modified retrospective approach, which did not have a material impact to the financial statements.

# THE OHIO ENVIRONMENTAL COUNCIL

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE C - FINANCIAL ASSETS AND LIQUIDITY

The following table reflects the Council's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general expenditures within one year:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash	\$ 464,926	\$ 306,641
Investments, at fair value	2,957,357	2,760,271
Grants receivable	54,000	53,333
Promises to give	-	1,637
Related party receivable	258,378	51,455
Interest receivable	9,105	2,652
Investments, at fair value - restricted	106,076	102,099
Beneficial interest in assets held by The Cleveland Foundation	<u>14,415</u>	<u>12,904</u>
Financial assets, at year-end	3,864,257	3,290,992
Less those not available for general expenditures within one year:		
Assets restricted by donors with purpose restrictions	166,518	50,444
Assets restricted by donors in perpetuity	<u>88,058</u>	<u>82,958</u>
	<u>254,576</u>	<u>133,402</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,609,681</u>	<u>\$ 3,157,590</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)

### NOTE D - INVESTMENTS

The fair value of the Council's investments as of June 30, 2024 and 2023, presented by hierarchy level, are as follows:

June 30, 2024				
	Level 1	Level 2	Level 3	Total
Without Donor Restrictions:				
Money market accounts	\$ 18	\$ -	\$ -	\$ 18
Money market mutual funds	1,350,902	-	-	1,350,902
Equity mutual funds	77,143	-	-	77,143
U.S. Treasury notes	1,519,233	-	-	1,519,233
Common stock	10,061	-	-	10,061
Beneficial interest in assets held by The Cleveland Foundation	-	14,415	-	14,415
	<u>\$ 2,957,357</u>	<u>\$ 14,415</u>	<u>\$ -</u>	<u>\$ 2,971,772</u>
With Donor Restrictions:				
Money market mutual funds	\$ 44,013	\$ -	\$ -	\$ 44,013
Equity mutual funds	62,063	-	-	62,063
	<u>\$ 106,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,076</u>
June 30, 2023				
	Level 1	Level 2	Level 3	Total
Without Donor Restrictions:				
Money market mutual funds	\$ 806,121	\$ -	\$ -	806,121
Equity mutual funds	586,766	-	-	586,766
U.S. Treasury notes	1,367,384	-	-	1,367,384
Beneficial interest in assets held by The Cleveland Foundation	-	12,904	-	12,904
	<u>\$ 2,760,271</u>	<u>\$ 12,904</u>	<u>\$ -</u>	<u>\$ 2,773,175</u>
With Donor Restrictions:				
Money market accounts	\$ 5,015	\$ -	\$ -	\$ 5,015
Money market mutual funds	44,725	-	-	44,725
Equity mutual funds	52,359	-	-	52,359
	<u>\$ 102,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,099</u>

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### NOTE E - PROPERTY AND EQUIPMENT

As of June 30, 2024 and 2023, property and equipment consists of:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 8,433	\$ 8,433
Leasehold improvements	44,679	44,679
Building	<u>576,594</u>	<u>-</u>
	629,706	53,112
Less: Accumulated depreciation	<u>(29,294)</u>	<u>(21,072)</u>
	<u><u>\$ 600,412</u></u>	<u><u>\$ 32,040</u></u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$7,761 and \$3,956, respectively.

#### NOTE F - 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, 2024 and 2023, the Council has a receivable from the Action Fund of \$258,378 and \$51,455, respectively. The receivable as of June 30, 2024 includes a \$188,000 payment made to the Action Fund for a grant in which the Council is the grantee.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### NOTE F - RELATED PARTY TRANSACTIONS (CONTINUED)

The shared expenses from the Action Fund for the years ended June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Salaries and fringe benefits	\$ 251,386	\$ 122,218
Insurance	1,079	210
Media and resources	-	12,600
Occupancy	11,887	7,262
Other	485	3,416
Professional services	22,625	17,844
Special programs and events	191	-
Supplies	6,742	4,037
Travel	1,809	2,146
	<u>\$ 296,204</u>	<u>\$ 169,733</u>

#### NOTE G - RETIREMENT PLAN

The Council offers 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 \$47,591 and \$41,784 for the years ended June 30, 2024 and 2023, respectively.

#### NOTE H - OPERATING LEASES

In July 2014, the Council signed a lease agreement for its Columbus, Ohio office, which has been extended and expires in February 2025. There are no other options to extend the lease. The lease agreement initially required a security deposit and the first month's rent and requires base monthly rent payments, ranging from \$4,057 to \$6,620 per month.

In September 2021, the Council signed a lease agreement for office space in Cleveland, Ohio, which expired in September 2023. In September 2023, the Council exercised their option to extend the lease for another year through September 2024. There are no other options to extend the lease. The lease agreement initially required a security deposit and the first month's rent and requires base monthly rent payments ranging from \$707 to \$735 per month. The Council determined the operating ROU asset and operating lease liability for the Cleveland office space was not material, and no amount has been recorded on the statement of financial position as of June 30, 2024 and 2023 accordingly.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### NOTE H - OPERATING LEASES (CONTINUED)

The Council is reimbursed for a portion of their rent expense from the Action Fund which totaled \$8,047 and \$5,182 for the years ended June 30, 2024 and 2023, respectively. Rent expense from operating leases, less amounts reimbursed by the Action Fund, was \$77,922 and \$78,296 for the years ended June 30, 2024 and 2023, respectively.

Cash paid against the Council's operating lease liability during the years ended June 30, 2024 and 2023 was \$78,738 and \$83,922, respectively.

The following table displays the undiscounted cash flows related to the Council's operating lease as of June 30, 2024, along with a reconciliation to the discounted amount recorded on the statement of financial position. Minimum lease payments due under the non-cancellable operating lease as of June 30, 2024 are as follows:

Year ended June 30, 2025	\$	46,389
Impact of present value discount		<u>(1,313)</u>
Total operating lease liabilities	\$	<u>45,076</u>

The following schedule summarizes the ROU asset for operating leases, net of accumulated amortization, as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Right-of-use asset - operating	\$ 194,857	\$ 194,857
Less: Accumulated amortization	<u>(140,892)</u>	<u>(70,446)</u>
	<u>\$ 53,965</u>	<u>\$ 124,411</u>

As of June 30, 2024 and 2023, the weighted-average remaining lease term for the Council's operating lease was 0.63 years and 1.63 years, respectively. The weighted-average discount rate associated with the operating lease as of June 30, 2024 and 2023 was 2.86%, which was the risk-free rate at the time of adoption of FASB ASC 842.

#### NOTE I - CONCENTRATIONS

The Council received approximately 75% of its grant revenue from three foundations during the year ended June 30, 2023 and approximately 65% of its grant revenue from three foundations and one company during the year ended June 30, 2024. The Council continues to pursue other grants and increasing fundraising 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 "Union"). The collective bargaining agreement is effective July 1, 2023 through June 30, 2026.

## THE OHIO ENVIRONMENTAL COUNCIL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### NOTE J - NET ASSETS

##### 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, 2024 and 2023 was:

	<u>2024</u>	<u>2023</u>
Designated operating reserve	\$ 1,665,414	\$ 1,621,242
Undesignated	<u>1,167,559</u>	<u>955,263</u>
	<u>\$ 2,832,973</u>	<u>\$ 2,576,505</u>

##### 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, 2024 and 2023 was:

	<u>2024</u>	<u>2023</u>
Restricted grants for specific purposes	\$ 148,500	\$ 31,303
Endowment - principal restricted in perpetuity	88,058	82,958
Endowment - restricted accumulated earnings	<u>18,018</u>	<u>19,141</u>
	<u>\$ 254,576</u>	<u>\$ 133,402</u>

#### NOTE K - 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, 2024 and 2023. 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, 2023. The Council elected to appropriate \$13,010 from the investment earnings for expenditures during the year ended June 30, 2024.

# THE OHIO ENVIRONMENTAL COUNCIL

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE K - RESTRICTED ENDOWMENT (CONTINUED)

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	<u>Original Gift Amount</u>	<u>Accumulated Earnings</u>	<u>Total</u>
Endowment net assets, July 1, 2022	\$ 77,958	\$ 10,879	\$ 88,837
Contributions	5,000	-	5,000
Investment return:			
Investment income, net	-	4,320	4,320
Realized and unrealized gain	-	<u>3,942</u>	<u>3,942</u>
	-	8,262	8,262
Appropriation for expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2023	82,958	19,141	102,099
Contributions	5,100	-	5,100
Investment return:			
Investment income, net	-	4,541	4,541
Realized and unrealized gain	-	<u>7,346</u>	<u>7,346</u>
	-	11,887	11,887
Appropriation for expenditures	<u>-</u>	<u>(13,010)</u>	<u>(13,010)</u>
Endowment net assets, June 30, 2024	<u>\$ 88,058</u>	<u>\$ 18,018</u>	<u>\$ 106,076</u>

As of June 30, 2024, the Council has not yet adopted a formal spending policy or investment strategy.

### NOTE L - SUPPLEMENTAL CASH FLOW INFORMATION

The Council implemented FASB ASC 842 as of July 1, 2022. As a result, an operating ROU asset and operating lease liability in the amount of \$194,857 were recorded in the statement of financial position to reflect the Council's lease agreements.



## **THE OHIO ENVIRONMENTAL COUNCIL**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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#### **NOTE M - 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.