

Ohio Energy Project

Audited Financial Statements

As of and for the Years Ended
June 30, 2018 and 2017



Rea & associates

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CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to the Financial Statements	8-12

January 7, 2019

To the Board of Trustees
Ohio Energy Project
Worthington, Ohio

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Energy Project (the "Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Energy Project as of June 30, 2018 and 2017, 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio

OHIO ENERGY PROJECT

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	<u>ASSETS</u>	
	2018	2017
CURRENT ASSETS:		
Cash	\$ 305,055	\$ 142,793
Grants and accounts receivable	196,432	295,830
Prepaid expenses	27,444	27,819
Total current assets	528,931	466,442
PROPERTY AND EQUIPMENT:		
Office equipment	84,711	84,711
Vehicles	60,146	85,921
Property and equipment, at cost	144,857	170,632
Less: accumulated depreciation	(116,544)	(130,471)
Property and equipment, net	28,313	40,161
DEPOSITS	1,500	1,500
Total assets	\$ 558,744	\$ 508,103
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 26,759	\$ 22,537
Accrued expenses	7,097	4,077
Refundable advances	35,000	35,000
Notes payable	-	5,153
Total liabilities	68,856	66,767
NET ASSETS:		
Unrestricted	471,346	377,748
Temporarily restricted	18,542	63,588
Total net assets	489,888	441,336
Total liabilities and net assets	\$ 558,744	\$ 508,103

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

OHIO ENERGY PROJECT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES, GAINS, AND SUPPORT:			
Grant and contract revenue	\$ 1,853,515	\$ -	\$ 1,853,515
Contributions	51,951	41,500	93,451
Contributed goods and services	12,798	-	12,798
Program fees	42,173	-	42,173
Gain on sale of property and equipment	2,500	-	2,500
Net assets released from restrictions	86,546	(86,546)	-
Total revenues, gains, and support	2,049,483	(45,046)	2,004,437
FUNCTIONAL EXPENSES:			
Program services	1,729,582	-	1,729,582
Management and general	191,164	-	191,164
Fund-raising	35,139	-	35,139
Total functional expenses	1,955,885	-	1,955,885
Changes in net assets	93,598	(45,046)	48,552
NET ASSETS, beginning of the year	377,748	63,588	441,336
NET ASSETS, end of the year	\$ 471,346	\$ 18,542	\$ 489,888

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

OHIO ENERGY PROJECT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES, GAINS, AND SUPPORT:			
Grant and contract revenue	\$ 1,903,075	\$ -	\$ 1,903,075
Contributions	116,134	94,963	211,097
Contributed goods and services	15,318	-	15,318
Program fees	42,319	-	42,319
Gain on sale of property and equipment	4,948	-	4,948
Net assets released from restrictions	41,697	(41,697)	-
	2,123,491	53,266	2,176,757
FUNCTIONAL EXPENSES:			
Program services	1,736,290	-	1,736,290
Management and general	196,648	-	196,648
Fund-raising	30,338	-	30,338
	1,963,276	-	1,963,276
Changes in net assets	160,215	53,266	213,481
NET ASSETS, beginning of the year	217,533	10,322	227,855
NET ASSETS, end of the year	\$ 377,748	\$ 63,588	\$ 441,336

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

OHIO ENERGY PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL
FUNCTIONAL EXPENSES:				
Salaries and wages	\$ 265,745	\$ 88,474	\$ 28,403	\$ 382,622
Payroll taxes	20,399	6,792	2,180	29,371
Employee benefits	28,341	9,435	3,029	40,805
Program expenses	1,320,093	-	-	1,320,093
Contracted labor	21,341	-	-	21,341
Rent	14,127	14,127	-	28,254
Professional fees	-	33,707	-	33,707
Printing and postage	12,034	-	-	12,034
Depreciation	5,924	5,924	-	11,848
Travel	33,018	4,580	1,527	39,125
Telephone and utilities	3,741	3,740	-	7,481
Miscellaneous	-	4,977	-	4,977
Insurance	-	11,550	-	11,550
Repairs and maintenance	4,819	4,780	-	9,599
Office supplies	-	2,966	-	2,966
Interest expense	-	112	-	112
Total functional expenses	\$ 1,729,582	\$ 191,164	\$ 35,139	\$ 1,955,885

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

OHIO ENERGY PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL
FUNCTIONAL EXPENSES:				
Salaries and wages	\$ 226,760	\$ 75,495	\$ 24,236	\$ 326,491
Payroll taxes	18,195	6,058	1,945	26,198
Employee benefits	26,047	8,672	2,784	37,503
Program expenses	1,372,828	-	-	1,372,828
Contracted labor	11,940	-	-	11,940
Rent	18,410	17,009	-	35,419
Professional fees	-	48,100	-	48,100
Printing and postage	19,460	-	-	19,460
Depreciation	6,249	6,250	-	12,499
Travel	23,306	3,233	1,078	27,617
Telephone and utilities	4,399	4,400	-	8,799
Miscellaneous	-	3,263	-	3,263
Insurance	-	11,380	-	11,380
Repairs and maintenance	5,933	5,932	-	11,865
Office supplies	-	5,279	-	5,279
Auto expense	2,763	920	295	3,978
Interest expense	-	657	-	657
Total functional expenses	<u>\$ 1,736,290</u>	<u>\$ 196,648</u>	<u>\$ 30,338</u>	<u>\$ 1,963,276</u>

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

OHIO ENERGY PROJECT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 48,552	\$ 213,481
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	11,848	12,499
Gain on sale of property and equipment	(2,500)	(4,948)
(Increase) decrease in operating assets:		
Grants and accounts receivable	99,398	(249,192)
Prepaid expenses	375	(27,559)
Increase (decrease) in operating liabilities:		
Accounts payable	4,222	3,887
Accrued expenses	3,020	(3,013)
Refundable advances	-	(13,729)
	116,363	(282,055)
Net cash provided by (used in) operating activities	164,915	(68,574)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of property and equipment	-	(30,384)
Proceeds on sale of property and equipment	2,500	6,000
	2,500	(24,384)
Net cash provided by (used in) investing activities	2,500	(24,384)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(5,153)	(8,379)
	(5,153)	(8,379)
Net cash used in financing activities	(5,153)	(8,379)
	162,262	(101,337)
Increase (decrease) in cash	162,262	(101,337)
CASH, beginning of the year	142,793	244,130
CASH, end of the year	\$ 305,055	\$ 142,793
SUPPLEMENTAL CASH FLOW DATA:		
Cash paid during the year for:		
Interest	\$ 112	\$ 657

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

OHIO ENERGY PROJECT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Ohio Energy Project (the “Organization”) is an affiliate of the National Energy Education Development (“NEED”) Project. The Organization provides unbiased energy education materials, leadership training for students, and professional development opportunities for teachers throughout Ohio. The Organization’s goal is to increase energy knowledge and leadership skills through energy education materials and leadership training workshops.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Management Estimates

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

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of Board designated or donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to stipulations imposed by donors or grantors, even though their use may be limited in other respects, such as by contract or by Board designation. Donor-restricted contributions whose restrictions are met in the same year as the contributions are recorded as unrestricted net assets.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. As of June 30, 2018 and 2017, the Organization had temporarily restricted net assets in the amount of \$18,542 and \$63,588, respectively. The temporarily restricted net assets were subject to both time and purpose restrictions imposed by donors.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Organization. These stipulations neither expire by the passage of time, nor can they be fulfilled or otherwise removed by actions of the Organization. As of June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Programs and Supporting Services

The Organization develops unbiased, hands-on and real-world materials and programs about all aspects of energy for Ohio’s teachers and students. These programs utilize a “Kids Teaching Kids” approach and often integrate *Energy Bikes*. The Energy Bike is a very effective teaching tool, which allows students to sense the amounts of their own pedal power energy needed to operate various 12V appliances by exerting their own physical energy. All materials and programs are thoroughly evaluated, and correlated to state and national Content Teaching Standards and Ohio Proficiency Outcomes.

OHIO ENERGY PROJECT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following programs and supporting services are included in the accompanying financial statements:

- **Youth Energy Summits** – students participate in leadership and energy activities to prepare for their role in leading energy workshops in their schools and communities.
- **Energy Workshops** – teachers and students attend workshops to learn about the sources and science of energy and share their knowledge back at school.
- **Youth Energy Celebration** – schools are recognized for their educational accomplishments in energy
- **Energy Sources Tour** – involves a 3- day professional development and bus tour for teachers to experience energy up close at some of the best Ohio energy sites.
- **Energy Sources Blitz** – involves a 1 - day professional development and bus tour for teachers to experience energy up close in one region of Ohio.
- **AEGIS (All about Energizing Girls in Science)** – a program for teams of girls to build an Energy Bike with their teacher to use as a teaching tool in their school.
- **Energy Efficiency Programs** – professional development for teachers in energy efficiency concepts, combined with student efficiency kits for students that are installed at home.
- **Grade Level Programs (3, 4, 5, 7, 9th)** – teachers attend professional development for hands-on experience with curriculum and the materials needed to address specific learning standards for their grade level.
- **District-wide Programs** – OEP delivers teacher and student programming in Westerville and Worthington, with funding from the city and school district.
- **Energy Careers Program** – teachers and students visited energy sites in several regions of Ohio to experience energy first hand and explore careers in the energy industry.

Revenue Recognition

The Organization's revenue recognition policies are as follows:

Grant Revenue

The Organization receives grant funding from state and local government agencies. These funds are deferred and recognized as revenue when earned, which is at the time qualifying expenditures are incurred.

Contract Revenue

The Organization receives contract funding from various utility corporations. These funds are deferred and recognized as revenue when earned, which is at the time the related services are provided.

Contributions

Contributions and gifts are recorded at fair value at the date of the donor's promise to give. These contributions and gifts are considered to be available for unrestricted use, unless specifically restricted by the donor.

OHIO ENERGY PROJECT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Property, Services and Facilities

Contributions of property or services are recognized at their estimated fair value, if the services received a) create or enhance non-financial 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, and are recorded as expenses for program services. Contributed services and promises to give services that do not meet the aforementioned criteria are not recognized. Contributions of facilities are recorded at their fair value at the time of donation.

In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Organization. Since the majority of contributed services are not at an expert level, it has been determined to not include these services as in-kind contributions.

Program Fees

Receipts from programs are deferred and recognized as revenue when the goods and services are provided to the customer.

Grants and Accounts Receivable

Grants and accounts receivable represent various grants, contributions, and/or fees due to the Organization and all are considered fully collectible at year-end. Accordingly, management has not provided for an allowance for doubtful accounts as of June 30, 2018 and 2017. Management provides for doubtful accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Grants and accounts receivable are considered past due when they are outstanding 90 days or more and are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received.

Property and Equipment

Property and equipment are stated at cost if purchased and at fair value if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the underlying assets, ranging from 3 to 7 years. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets, greater than \$500, are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in revenues, gains, and support.

Refundable Advances

Refundable advances consist of funding received in advance of revenue recognition. Refundable advances of \$35,000 were received from the City of Westerville for each of the years ended June 30, 2018 and 2017.

Allocation of Functional Expenses

The Organization allocates costs to program services, management and general and fund-raising in accordance with generally accepted accounting principles. Cost allocation occurs whenever costs are associated with more than one activity and are attributed to each activity specifically.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. However, certain business activities of the Organization may be subject to Federal income taxes. No provision for Federal, state, or local income taxes was necessary for the years ended June 30, 2018 and 2017.

OHIO ENERGY PROJECT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally accepted accounting principles require the Organization to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

Related Parties

Related parties exist when an entity has the ability to significantly influence the management or operating policies of another entity to the extent that one of the transacting parties might be prevented from fully pursuing its own separate interest. Related parties include any affiliate of the Organization along with management and members of management's immediate family.

Recently Issued But Not Yet Effective Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 entitled "Revenue from Contracts with Customers (Topic 606)," which will change the Organization's method of revenue recognition. This new standard is effective for the Organization's annual reporting periods beginning after December 15, 2018, with early implementation permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02 entitled "Leases (Topic 842)," which will change the Organization's statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. This new standard is effective for the Organization's annual reporting periods beginning after December 15, 2019, with early implementation permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14 entitled "Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)" which will, among other changes, change the presentation of the Organization's classifications of net assets from three classes to two (with donor restrictions and without donor restrictions) and require a schedule of expenses by both natural and functional classification. This new standard is effective for the Organization's annual reporting periods beginning after December 15, 2017, with early implementation permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

Subsequent Events

Subsequent events have been evaluated through January 7, 2019 which is the date the financial statements were available to be issued. Management has determined that there were no transactions or events requiring disclosure as of the evaluation date.

NOTE 2: RISKS AND UNCERTAINTIES

Uninsured Risk – Cash Deposits

The Organization maintains its cash and cash equivalents balances in financial institutions located in Ohio. Deposits in interest-bearing and non-interest-bearing accounts are collectively insured by the Federal Deposit Insurance Corporation ("FDIC") up to a coverage limit of \$250,000 at each FDIC-insured depository institution. As a result, the Organization may have balances that exceed the insured limit.

OHIO ENERGY PROJECT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: RISKS AND UNCERTAINTIES (Continued)

Concentration Risk – Support

The Organization receives a majority of its support from one utility corporation and its related foundation. Total support from this utility corporation and related foundation represented 43% and 47% of the Organization's total revenues, gains, and support for the years ended June 30, 2018 and 2017, respectively. A significant reduction from or loss of this funding source would have a significant impact on the Organization's programs and operations.

NOTE 3: OPERATING LEASE OBLIGATIONS

The Organization leased office space for one of its locations under a non-cancellable operating lease obligation that expired in October 2017 and was not renewed. The agreement required monthly payments of \$1,550. The Organization's other office location is leased under an agreement renewable annually. In exchange for the rental space, the Organization is required to provide education consulting services, the fair value of which is expected to equal the lessor's regular rent for that property. The Organization also rents storage space and miscellaneous office equipment on a short-term basis. Total rent expense was \$28,254 and \$35,419 for the years ended June 30, 2018 and 2017, respectively.

There are no future minimum lease payments on non-cancellable lease obligations with original terms in excess of one year as of June 30, 2018.

NOTE 4: NOTES PAYABLE

The Organization had entered into a note payable with a bank that matured in January 2018. The note required monthly principal and interest payments calculated at 6.65% and was secured by substantially all business assets. The balance on the note was \$5,153 as of June 30, 2017, and was paid in full during the year ended June 30, 2018.

NOTE 5: LINE OF CREDIT

During the year ended June 30, 2017, the Organization entered into a line of credit agreement that allows the Organization to borrow up to \$60,000. The agreement requires monthly interest payments calculated at the bank's prime rate (5.00% as of June 30, 2018) plus 2.95%. The line of credit is secured by substantially all business assets and expires in June 2019. There was no balance on this line of credit as of June 30, 2018 and 2017, respectively.

NOTE 6: RETIREMENT PLAN

The Organization sponsors a noncontributory, tax-deferred, salary reduction arrangement plan qualified under Section 403(b) of the Internal Revenue code. The plan covers the full-time employees. Employees may make discretionary contributions to the plan up to the maximum allowed by the Internal Revenue Code. The Organization did not make any discretionary contributions for the years ended June 30, 2018 and 2017.