

ENTREPRENEURIAL ENGAGEMENT OHIO
(A Nonprofit Organization)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016



**ENTREPRENEURIAL ENGAGEMENT OHIO
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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees of
Entrepreneurial Engagement Ohio
Cleveland, Ohio**

We have audited the accompanying financial statements of Entrepreneurial Engagement Ohio (a nonprofit organization), which comprise the statements of assets, liabilities and net assets - cash basis as of June 30, 2017 and 2016, and the related statements of support, revenue and expenses - cash basis 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 the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 assets, liabilities, and net assets of Entrepreneurial Engagement Ohio as of June 30, 2017 and 2016, and its support, revenue, and expenses for the years then ended in accordance with the cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Four-Fifteen Group

Certified Public Accountants

**Canton, Ohio
December 18, 2017**

ENTREPRENEURIAL ENGAGEMENT OHIO

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS

	June 30,	
	<u>2017</u>	<u>2016</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 859	\$ 25,832
	<u>\$ 859</u>	<u>\$ 25,832</u>
 LIABILITIES AND NET ASSETS:		
LIABILITIES	\$ -	\$ -
NET ASSETS:		
Unrestricted	<u>859</u>	<u>25,832</u>
	<u>\$ 859</u>	<u>\$ 25,832</u>

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

ENTREPRENEURIAL ENGAGEMENT OHIO

STATEMENTS OF SUPPORT, REVENUE
AND EXPENSES - CASH BASIS

Year Ended June 30,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
REVENUES, GAINS AND OTHER SUPPORT:						
Support:						
Grants	\$ -	\$ 32,500	\$ 32,500	\$ -	\$ 22,000	\$ 22,000
Believe In Ohio management income	30,000	-	30,000	150,000	-	150,000
Believe In Ohio - expense reimbursement income	14,941	-	14,941	388,013	-	388,013
Individual and corporate donations	32,700	-	32,700	-	-	-
Total support	<u>77,641</u>	<u>32,500</u>	<u>110,141</u>	<u>538,013</u>	<u>22,000</u>	<u>560,013</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	32,500	(32,500)	-	22,000	(22,000)	-
TOTAL SUPPORT AND REVENUES	<u>110,141</u>	<u>-</u>	<u>110,141</u>	<u>560,013</u>	<u>-</u>	<u>560,013</u>
EXPENSES:						
Program services:						
Compensation	56,623	-	56,623	130,606	-	130,606
Business and science concept plan competition awards	9,203	-	9,203	-	-	-
Program event costs	19,799	-	19,799	-	-	-
Website, video production and technology expenses	8,457	-	8,457	2,545	-	2,545
Printing, postage and supplies	911	-	911	2,362	-	2,362
Travel expense	48	-	48	3,131	-	3,131
Consulting and training expense	4,500	-	4,500	8,000	-	8,000
Believe In Ohio - reimbursed expenses	19,563	-	19,563	387,309	-	387,309
Total program services	<u>119,104</u>	<u>-</u>	<u>119,104</u>	<u>533,953</u>	<u>-</u>	<u>533,953</u>
General management:						
Compensation	2,500	-	2,500	3,000	-	3,000
Professional fees	4,500	-	4,500	5,700	-	5,700
Insurance	1,345	-	1,345	1,310	-	1,310
Administrative fees	183	-	183	36	-	36
General expenses	482	-	482	907	-	907
Total general management	<u>9,010</u>	<u>-</u>	<u>9,010</u>	<u>10,953</u>	<u>-</u>	<u>10,953</u>
Development:						
Compensation	7,000	-	7,000	500	-	500
Total supporting services	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL EXPENSES FOR PROGRAM AND SUPPORTING SERVICES	<u>135,114</u>	<u>-</u>	<u>135,114</u>	<u>545,406</u>	<u>-</u>	<u>545,406</u>
Change in net assets	<u>(24,973)</u>	<u>-</u>	<u>(24,973)</u>	<u>14,607</u>	<u>-</u>	<u>14,607</u>
Net assets, beginning of period	<u>25,832</u>	<u>-</u>	<u>25,832</u>	<u>11,225</u>	<u>-</u>	<u>11,225</u>
Net assets, end of period	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 859</u>	<u>\$ 25,832</u>	<u>\$ -</u>	<u>\$ 25,832</u>

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

ENTREPRENEURIAL ENGAGEMENT OHIO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

A. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature and Purpose of the Organization - Entrepreneurial Engagement Ohio (EEO or the Organization) was formed on July 28, 2011, as a non-stock, non-profit corporation under the laws of the State of Ohio. The mission of EEO is: 1) to promote student and community awareness as to the challenges and opportunities the changing regional, national and global economies present for the future; and 2) to provide educational instruction, curriculum, research, training, mentoring and other information that helps develop the entrepreneurial, economic, business, and scientific literacy of students and the community.

From its beginning, EEO has been focused on two primary program areas: 1) Northeast Ohio STEM Commercialization, Entrepreneurship and Innovation programming, and 2) Statewide Ohio STEM Commercialization, Entrepreneurship and Innovation programming.

Statewide Ohio STEM Commercialization, Entrepreneurship and Innovation Programming - In 2012, EEO entered into a collaboration with the Ohio Academy of Science (OAS) to develop a statewide Ohio Youth STEM Commercialization and Entrepreneurship program. In fulfillment of the effort, in July 2013, Ohio Governor John Kasich signed Ohio's 2014-2015 biennial budget which included a \$5,000,000 appropriation to the Ohio Board of Regents for the period from July 1, 2014 through June 30, 2015, for the development of a state-wide "Youth Entrepreneurial STEM Ecosystem for the State of Ohio" which was popularly known as the "*Believe in Ohio*" Program (BiO). Although originally intended to be rolled out in time for the 2013-2014 school year, the initial rollout of the full program was delayed until the 2014-2015 school year. As a result of this delay, on June 26, 2015, the Ohio Board of Regents granted a series of "No Cost Contract Extensions" that allowed the BiO to continue to operate until the original \$5 million in funding was exhausted on December 31, 2016.

During the period between 2013 and 2016 when the *Believe in Ohio* program was operating:

- More than 6,000 students, teachers and guests attended one of 28 STEM Commercialization & Entrepreneurship Forums held at universities and schools around Ohio.
- More than 300 teachers from more than 150 schools across Ohio, including more than 10,000 students, participated in STEM Commercialization and STEM Business Plan competitions at their schools.
- More than \$1.2 million in cash awards and scholarships to Ohio colleges & universities were awarded in *Believe in Ohio's* State Competitions in 2015 and 2016.
- Altogether, during the 2015-2016 school year, approximately 11,000 high school and middle school students participated in either a STEM Plan Competition and/or a STEM Forum.

Despite the support of many members of the Ohio Legislature, EEO and OAS failed to secure the necessary funding from the State of Ohio to continue the BiO program after December 31, 2016. Although EEO and OAS continue their collaboration to encourage Ohio students to pursue a STEM education and to develop an entrepreneurial mindset to become the innovators of tomorrow, the actual *Believe in Ohio* program has, for now, been suspended.

ENTREPRENEURIAL ENGAGEMENT OHIO

NOTES TO FINANCIAL STATEMENTS

A. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

EEO's Northeast Ohio programs included annual STEM Commercialization, Entrepreneurship and Innovation Forums (STEM Forums), annual STEM Commercialization Plan and STEM Business Plan Competitions (STEM Plan Competitions) at local high schools, teacher mentoring programs, and other forms of program support, which later served as the model for much of the Believe in Ohio program's programming.

While EEO is continuing to hold STEM Forums at colleges and universities in Northeast Ohio and supports a limited number of STEM Plan Competitions at local Northeast Ohio high schools based on available Northeast Ohio funding, EEO has also developed a more comprehensive program named "*Northeast Ohio Innovates*" which is intended to provide a comprehensive regional adaption of the former statewide *Believe in Ohio* program for the large scale benefit of high schools and middle schools in the twenty-two Counties of Northeast Ohio, if additional funding can be secured.

Basis of Accounting - The financial statements of the Organization have been prepared on the cash basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Accounting for the Believe in Ohio Program - EEO funding for the BiO program was received pursuant to an overall budget that was periodically reviewed and approved by the Ohio Board of Regents. The BiO budget provided for the payment of management fees to both EEO and OAS and the reimbursement of direct BiO expenditures made by EEO and OAS in development of the program. During the years ended June 30, 2017 and 2016, EEO received \$30,000 and \$150,000, respectively, in management fees for its work in developing the BiO program and received \$14,941 and \$388,013, respectively, in reimbursement of direct expenditure made on behalf of the BiO program.

Restricted Assets - The Organization reports gifts of cash and other assets as unrestricted support if they are received without donor stipulations that specifically limit the use of the donated assets. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Financial Statement Presentation - The financial statements are presented in accordance with the authoritative accounting guidance for non-profit entities, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates - The preparation of the financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions - The Organization adopted the authoritative guidance for non-profit entities. In accordance with the authoritative accounting guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

ENTREPRENEURIAL ENGAGEMENT OHIO

NOTES TO FINANCIAL STATEMENTS

A. DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

In Kind Support (Donated Services) – EEO records in kind support from contributed professional services. 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 contributed professional services have been included under individual and corporate donations.

Cash Equivalents - The Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk - The Organization maintains cash, savings, and short-term investments at one financial institution located in Cuyahoga County, Ohio. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The organization may maintain cash balances that, at times, exceed federally insured amounts. The Organization has not experienced any losses, material or otherwise, due to this concentration. Bank balances differ from book balances as a result of outstanding transactions recorded by the Organization but not by the bank.

Section 501(c)(3) - The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Under that code the Organization is not subject to income taxes. The Organization accounts for uncertain income tax positions under authoritative accounting guidance. Under this guidance, an organization must recognize and measure the benefit associated with positions taken for tax purposes. A benefit is only recognized when it is more likely than not that the tax position taken will be sustained. The amount of the benefit recognized depends on the probability of the position being sustained. Management believes that the Organization's exemption under 501(c)(3) is in good standing with the Internal Revenue Service and nothing has been done to jeopardize that status. Accordingly, Management believes that the Organization does not have any material uncertain income tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

For the years ended December 31, 2017 and 2016, no interest or penalties were recorded or included in the Organization's financial statements. Any interest recognized associated with a tax position would be classified as interest expense in the Organization's financial statements, and any penalties recognized associated with a tax position would be classified as an operating expense in the Organization's financial statements. The Organization files informational returns in the United States Federal and Ohio jurisdiction. However, the Organization is not currently under audit nor have they been contacted by any jurisdiction.

Subsequent Events - The Organization has evaluated subsequent events through December 18, 2017, which is the date the financial statements were available to be issued.

On November 3, 2017, the Organization was notified by a foundation of its commitment for \$45,500 in support of eight science and technology forums in Northeast Ohio.

B. SIGNIFICANT CONTRIBUTORS:

One contributor made contributions for program services totaling approximately \$32,500 and \$22,000 during the years ended June 30, 2017 and 2016, respectively. In addition, during the years ended June 30, 2017 and 2016, EEO received \$30,000 and \$150,000, respectively, in management fees for its work in developing the BiO program and received \$14,941 and \$388,013, respectively, in reimbursement of direct expenditure made on behalf of the BiO program.