



EcoCity CLEVELAND

FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

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	PAGE NO.
INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2004 (WITH COMPARATIVE TOTALS FOR 2003)	2
STATEMENT OF ACTIVITIES Year Ended DECEMBER 31, 2004 (WITH COMPARATIVE TOTALS FOR 2003)	3
STATEMENT OF CASH FLOWS Year Ended DECEMBER 31, 2004 (WITH COMPARATIVE TOTALS FOR 2003)	4
NOTES TO THE FINANCIAL STATEMENTS.....	5 through 10



**INDEPENDENT AUDITOR'S REPORT**

TO THE BOARD OF DIRECTORS
EcoCity CLEVELAND
CLEVELAND, OHIO

We have audited the accompanying statement of financial position for EcoCity CLEVELAND as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of EcoCity CLEVELAND's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from EcoCity CLEVELAND's 2003 financial statements and, in our report dated March 5, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EcoCity CLEVELAND as of December 31, 2004 and 2003 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Cleveland, Ohio
March 10, 2005

Heiser & Tesko



EcoCity CLEVELAND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2004

(WITH COMPARATIVE TOTALS FOR 2003)

ASSETS	TEMPORARILY <u>RESTRICTED</u>	<u>UNRESTRICTED</u>	<u>2004</u>	<u>2003</u>
CURRENT ASSETS				
Cash & Cash Equivalents	\$295,487	\$113,760	\$409,247	\$347,750
Grants Receivable	140,000		140,000	152,500
Accounts Receivable	<u> </u>	<u> 70</u>	<u> 70</u>	<u> 24,560</u>
	<u>435,487</u>	<u>113,830</u>	<u>549,317</u>	<u>524,810</u>
PROPERTY AND EQUIPMENT				
Computer Equipment		22,226	22,226	22,226
Less: Accumulated Depreciation		<u>(21,519)</u>	<u>(21,519)</u>	<u>(20,291)</u>
		<u> 707</u>	<u> 707</u>	<u> 1,935</u>
	<u>\$435,487</u>	<u>\$114,537</u>	<u>\$550,024</u>	<u>\$526,745</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$	\$ 355	\$ 355	\$ 3,014
NET ASSETS				
Unrestricted		114,182	114,182	149,055
Temporarily Restricted	<u>435,487</u>	<u> </u>	<u>435,487</u>	<u>374,676</u>
Total Net Assets	<u>435,487</u>	<u>114,182</u>	<u>549,669</u>	<u>523,731</u>
Total Liabilities and Net Assets	<u>\$435,487</u>	<u>\$114,537</u>	<u>\$550,024</u>	<u>\$526,745</u>

See accompanying notes.



EcoCity CLEVELAND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	TEMPORARILY RESTRICTED	UNRESTRICTED	TOTALS	
			2004	2003
PUBLIC SUPPORT & REVENUE				
Foundations				
Joyce Foundation	\$274,000	\$	\$274,000	\$
Gund Foundation	50,000	65,000	115,000	375,900
Cleveland Foundation	25,000		25,000	82,500
Maltz Foundation	20,000		20,000	
Wean Foundation		6,000	6,000	5,000
Foundation Sustainability & Innovation	3,000		3,000	
Talbott Foundation		1,000	1,000	1,509
WMJI				10,000
Sears-Swetland Foundation				10,000
Enterprise Foundation				10,000
Total Foundations	<u>372,000</u>	<u>72,000</u>	<u>444,000</u>	<u>494,909</u>
Contributions - Cash	<u>4,000</u>	<u>46,738</u>	<u>50,738</u>	<u>35,727</u>
Total Public Support	<u>376,000</u>	<u>118,738</u>	<u>494,738</u>	<u>530,636</u>
Revenue				
Consulting Services		76,000	76,000	79,760
Interest Income		2,335	2,335	2,319
Special Events & Miscellaneous		2,170	2,170	34,722
Publication Sales		1,224	1,224	1,784
Total Revenue		<u>81,729</u>	<u>81,729</u>	<u>118,585</u>
Public Support & Revenue	<u>376,000</u>	<u>200,467</u>	<u>576,467</u>	<u>649,221</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>(315,189)</u>	<u>315,189</u>		
TOTAL PUBLIC SUPPORT & REVENUES	60,811	515,656	576,467	649,221
EXPENSES				
Personnel Costs		291,719	291,719	226,266
Program Consulting Services		151,697	151,697	146,834
Occupancy		24,919	24,919	14,421
Office Supplies & Expense		22,189	22,189	24,047
Travel & Conferences		21,047	21,047	29,941
Printing & Reproduction		14,318	14,318	19,583
Telephone		9,053	9,053	5,527
Audit, Legal & Consulting		7,505	7,505	6,806
Postage & Shipping		5,159	5,159	11,443
Internet		1,445	1,445	2,151
Depreciation		1,228	1,228	2,181
Research Materials		250	250	309
TOTAL EXPENSES		<u>550,529</u>	<u>550,529</u>	<u>489,509</u>
CHANGE IN NET ASSETS	60,811	(34,873)	25,938	159,712
NET ASSETS - Beginning of Year	<u>374,676</u>	<u>149,055</u>	<u>523,731</u>	<u>364,019</u>
NET ASSETS - End of Year	<u>\$435,487</u>	<u>\$114,182</u>	<u>\$549,669</u>	<u>\$523,731</u>

See accompanying notes.



EcoCity CLEVELAND

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 25,938	\$159,712
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	1,228	2,181
Decrease(Increase) in Receivables	36,990	(112,757)
Increase(Decrease) in Accounts Payable	<u>(2,659)</u>	<u>2,984</u>
Total Adjustments	<u>35,559</u>	<u>(107,592)</u>
Cash Provided by Operating Activities	<u>61,497</u>	<u>52,120</u>
NET CHANGE IN CASH	61,497	52,120
CASH AT BEGINNING OF YEAR	<u>347,750</u>	<u>295,630</u>
CASH AT END OF YEAR	<u>\$409,247</u>	<u>\$347,750</u>

See accompanying notes.



EcoCity CLEVELAND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTES:

1. NATURE OF OPERATIONS AND MISSION STATEMENT

NATURE OF OPERATIONS

EcoCity CLEVELAND is a 501(c)(3) nonprofit organization and was incorporated in 1992 for the purpose of preserving and enhancing the Northeast Ohio Bioregion.

The mission of EcoCity CLEVELAND is to promote ecological thinking about our bioregion (roughly the watersheds of the Black, Rocky, Cuyahoga, Chagrin and Grand Rivers in Northeast Ohio). We promote a vision of sustainable cities existing in balance with their surrounding countryside. Through our publications and networking, we help citizens and policy makers understand the connections between land use, transportation, air quality, water quality, biodiversity, urban redevelopment and other issues.

EcoCity's activities can be classified under the following program categories:

- Communications/Networking
- Smart Growth & Bioregional Planning
- Cleveland EcoVillage & Ecological Design
- Transportation Choices

EcoCity's web address is www.ecocitycleveland.org.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING METHOD

EcoCity CLEVELAND's policy is to prepare its financial statements on the accrual basis of accounting.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.



EcoCity CLEVELAND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTES (CONTINUED) :

- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets would permit the Organization to use all or part of the income earned on the assets.

There were no permanently restricted net assets at December 31, 2004 and 2003.

USE OF ESTIMATES

The preparation of financial statements is in conformity with accounting principles generally accepted in the United States 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 reporting period. Actual results could differ from those estimates.

CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts on deposit that can be withdrawn on demand or mature within three months.

GRANTS RECEIVABLE

Grants receivable as of December 31 are as follows:

	<u>2004</u>	<u>2003</u>
Joyce Foundation	\$115,000	\$
Gund Foundation	25,000	120,000
Cleveland Foundation		22,500
Enterprise Foundation		5,000
Sears-Swetland Foundation		5,000
	<u>\$140,000</u>	<u>\$152,500</u>

FINANCIAL INSTRUMENTS

The amounts recorded on the Statement of Financial Position for the financial instruments approximate the fair value of those items.

**EcoCity CLEVELAND**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTES (CONTINUED) :

PROPERTY AND EQUIPMENT

These assets are stated at cost or fair value at date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

MAJOR FUNDING

Major fundings are as disclosed in the Statement of Activities (Page 3).

CONTRIBUTIONS

Contributions are accounted in accordance with the requirements of the FASB in SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions, including unconditional promise to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

SUBSCRIPTIONS

Subscriptions to published periodicals are provided to "Subscriptions/Members," contributors, and free to anyone who requests them. Therefore, no subscription liability is recorded in these financial statements.

CONTRIBUTED SERVICES

SFAS 116 states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills, that would be purchased if not donated.

A number of volunteers have donated significant amounts of their time assisting EcoCity with specific programs, management and internal functions, campaign solicitations and various committee assignments. These donated services have not been recognized in the accompanying statement of changes in net assets because the criteria for recognition of such volunteer efforts under SFAS 116 have not been satisfied.



EcoCity CLEVELAND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTES (CONTINUED) :

COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacations, sick days and personal days off depending on job classification, length of service and other factors. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees. The effect of this method instead of accruing these costs is minimal in 2004 and 2003.

ADVERTISING COSTS

Advertising costs are expensed as incurred.

TAX STATUS

EcoCity CLEVELAND is a nonprofit organization that is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

CONCENTRATION OF RISK

EcoCity deposits its cash in accounts with a major banking institution. At times, such amounts may be in excess of federal insurance limits. Management believes that EcoCity has no significant risk of loss on these accounts due to the failure of the institution.

Substantially all income is from grants from foundations and donations from entities located in Northeast Ohio and governmental entities.

3. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements.

PROGRAM SERVICES

Includes all costs associated with carrying out the purpose and mission of EcoCity CLEVELAND. Examples would include, but not be limited to, the following:

- Collaborative Facilitation - Providing leadership and resources to the larger environmental and sustainability community to develop collaborative projects.
- Communications & Networking - Providing the best information on environmental and urban design issues in Northeast Ohio, integrating issues to help citizens and decision-makers think holistically, and creating a positive vision of a sustainable future.



EcoCity CLEVELAND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTES (CONTINUED) :

- Smart Growth & Bioregional Planning - Promoting a better balance of city and countryside through projects such as Greater Ohio, Lake Erie Balanced Growth and regional planning for biodiversity and open space.
- Cleveland EcoVillage & Ecological Design - Promoting high-performance buildings, neighborhoods and businesses with initiatives such as the EcoVillage, Cleveland Sustainability Programs Manager and lakefront planning.
- Transportation Choices - Promoting transit-oriented development and investments in a multi-modal transportation system to create livable communities and greater transportation choices with projects related to bicycle facilities, transit and citizen oversight of transportation planning in Northeast Ohio.

For more detailed information, see:

www.ecocitycleveland.org/aboutus/accomplish-2004.htm.

GENERAL AND ADMINISTRATIVE

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of EcoCity CLEVELAND's program strategy through the Office of the Executive Director; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of EcoCity CLEVELAND; and manage the financial and budgetary responsibilities of EcoCity CLEVELAND.

FUND RAISING

Provides the structure necessary to encourage and secure public and private financial support from individuals, foundations and corporations.

4. NET ASSETS

UNRESTRICTED NET ASSETS

These funds have no donor-imposed stipulations and are used for general operating purposes and for purposes deemed necessary by the Board of Directors.

TEMPORARILY RESTRICTED NET ASSETS

EcoCity recognizes temporarily restricted net assets when funds are received from an outside funding source before expenses are incurred or the revenue is otherwise earned.



EcoCity CLEVELAND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTES (CONTINUED):

Temporarily restricted net assets at December 31, 2004 and 2003 are comprised of the following:

	<u>2004</u>	<u>2003</u>
Lake Erie Balanced Growth	\$190,766	\$
Greater Ohio	137,550	258,144
EcoVillage Town Homes	67,988	19,230
Lakefront Planning	37,183	51,344
Water Belt Journal	2,000	2,000
Green Building		18,384
Website		18,074
Organizational Support		
Urban Gardens		7,500
	<u>\$435,487</u>	<u>\$374,676</u>

5. LEASE

In May, 2003, EcoCity relocated its offices to a renovated, historical building in which it has a minority interest (Cleveland, Ohio). Terms of the lease and the building partnership have not been finalized. Rent of approximately \$1,700, including utilities, is currently due monthly and is not expected to change in 2005. Rent expense for 2004 was \$24,919.

6. FUNCTIONAL EXPENSES

The allocation of functional expenses for the Organization for the years ended December 31, 2004 and 2003 are summarized as follows:

	<u>2004</u>			
	<u>Program</u>	<u>Management & General</u>	<u>Fund Raising</u>	
Salaries & Related Expenses	\$272,740	\$11,540	\$ 7,439	\$291,719
Direct Program Expenses	172,744			172,744
Indirect Expenses	80,041	3,443	2,582	86,066
	<u>\$525,525</u>	<u>\$14,983</u>	<u>\$10,021</u>	<u>\$550,529</u>

	<u>2003</u>			
	<u>Program</u>	<u>Management & General</u>	<u>Fund Raising</u>	
Salaries & Related Expenses	\$209,253	\$11,313	\$ 5,700	\$226,266
Direct Program Expenses	177,084			177,084
Indirect Expenses	79,697	4,308	2,154	86,159
	<u>\$466,034</u>	<u>\$15,621</u>	<u>\$ 7,854</u>	<u>\$489,509</u>