

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

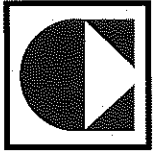
OIL CHANGE INTERNATIONAL, INC.

June 30, 2018

**(with summarized financial information
for the year ended June 30, 2017)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oil Change International, Inc.

We have audited the accompanying financial statements of Oil Change International, Inc. (a nonprofit organization), which comprise the balance sheet as of June 30, 2018 and the related statements of activities, cash flows and functional expenses for the year 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 the 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 not express such an 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 Oil Change International, Inc. as of June 30, 2018 and the changes in its net assets and its functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Oil Change International, Inc.'s June 30, 2017 financial statements, and our report dated March 5, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Alexandria, Virginia
February 21, 2019

Douglas Gray, Associate, P.C.

Oil Change International, Inc.

Balance Sheets

June 30, 2018 and 2017

(See Independent Auditor's Report and notes to financial statements)

	2018	2017
Current Assets		
Cash	\$ 198,149	\$ 479,707
Contributions receivable	676,059	947,068
Prepaid expenses and other current assets	<u>7,528</u>	<u>56,639</u>
Total current assets	881,736	1,483,414
Property and equipment	41,359	36,611
Less: accumulated depreciation	<u>(26,320)</u>	<u>(20,126)</u>
	15,039	16,485
Security deposit	<u>8,400</u>	<u>8,400</u>
	<u><u>\$ 905,175</u></u>	<u><u>\$ 1,508,299</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 46,987	\$ 57,102
Withholding payable	552	552
Pass through grants payable	<u>120,000</u>	<u>-</u>
Total current liabilities	167,539	57,654
Net Assets		
Unrestricted net assets	22,088	478,577
Temporarily restricted net assets	<u>715,548</u>	<u>972,068</u>
	<u><u>737,636</u></u>	<u><u>1,450,645</u></u>
	<u><u>\$ 905,175</u></u>	<u><u>\$ 1,508,299</u></u>

Oil Change International, Inc.
Statement of Activities
For the year ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)
(See Independent Auditor's Report and notes to financial statements)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues and other Support:				
Grants	\$ 640,323	\$ 897,390	\$ 1,537,713	\$ 3,216,322
Contributions	169,720	7,000	176,720	115,195
Sublease income	16,300	-	16,300	11,300
Reimbursements	52,244	-	52,244	-
Contract income	11,796	-	11,796	-
Other income	385	-	385	-
Gain on fixed asset sale	885	-	885	-
Interest	114	-	114	120
Net assets released from restriction				
Satisfaction of program restrictions	<u>1,160,910</u>	<u>(1,160,910)</u>	<u>-</u>	<u>-</u>
	2,052,677	(256,520)	1,796,157	3,342,937
Expenses:				
Program Services	2,187,152	-	2,187,152	2,181,021
Supporting Services				
Fundraising	164,127	-	164,127	158,456
Management and general	<u>157,887</u>	<u>-</u>	<u>157,887</u>	<u>150,617</u>
Total expenses	<u>2,509,166</u>	<u>-</u>	<u>2,509,166</u>	<u>2,490,094</u>
Change in Net Assets	(456,489)	(256,520)	(713,009)	852,843
Net Assets, beginning of year	<u>478,577</u>	<u>972,068</u>	<u>1,450,645</u>	<u>597,802</u>
Net Assets, end of year	<u>\$ 22,088</u>	<u>\$ 715,548</u>	<u>\$ 737,636</u>	<u>\$ 1,450,645</u>

Oil Change International, Inc.
Statement of Functional Expenses
For the year ended June 30, 2018

(with summarized totals for the year ended June 30, 2017)

(See Independent Auditor's Report and notes to financial statements)

	Supporting Services						
	Program Services	Mangement and General		Fundraising	Supporting Services		2017 Total
		68,737	\$	103,488	\$	172,225	
Salaries	\$ 894,460		\$ 68,737	\$ 103,488	\$ 172,225	\$ 769,993	
Consultants	454,843		3,295	14,846	18,141	472,984	370,208
Grants to others	254,153		-	-	-	254,153	678,232
Payroll taxes and benefits	191,894		32,393	17,264	49,657	241,551	172,031
Travel and lodging	123,566		7,942	10,453	18,395	141,961	126,474
Occupancy	87,469		5,894	9,092	14,986	102,455	114,798
Telecommunications/internet	61,039		4,703	6,663	11,366	72,405	50,996
Research materials	62,145		-	-	-	62,145	32,046
Periodicals and subscriptions	31,061		1,472	-	1,472	32,533	67,007
Office supplies and other expenses	13,316		3,215	2,201	5,416	18,732	10,737
Legal and other professional fees	-		18,521	-	18,521	18,521	19,204
Depreciation	7,718		-	-	-	7,718	3,987
Payroll processing/fees	-		6,876	-	6,876	6,876	5,842
Bank charges and fees	328		2,202	95	2,297	2,625	2,416
Filing and registration fees	1,980		310	-	310	2,290	6,694
Insurance	163		2,105	13	2,118	2,281	8,608
Copying and printing	1,592		222	12	234	1,826	2,129
Advertising	204		-	-	-	204	15,000
Membership fees	1,221		-	-	-	1,221	463
Program purchase	-		-	-	-	-	33,229
	<u>\$ 2,187,152</u>		<u>\$ 157,887</u>	<u>\$ 164,127</u>	<u>\$ 322,014</u>	<u>\$ 2,509,166</u>	<u>\$ 2,490,094</u>

Oil Change International, Inc.
Statements of Cash Flows
For the years ended June 30, 2018 and 2017
(See Independent Auditor's Report and notes to financial statements)

	2018	2017
Cash flows from operating activities:		
Change in Net Assets	\$ (713,009)	\$ 852,843
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on fixed asset sale	(885)	-
Depreciation	7,718	3,987
(Increase) decrease in contributions receivable	267,991	(735,468)
(Increase) decrease in prepaid expenses and other current assets	49,111	(39,151)
Increase (decrease) in accounts payable and accrued expenses	(7,097)	14,617
Increase (decrease) in grants payable	120,000	-
	(276,171)	96,828
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of fixed assets	(6,272)	(16,330)
Proceeds from sale of fixed assets	885	-
	(5,387)	(16,330)
Net increase (decrease) in cash and cash equivalents	(281,558)	80,498
Cash, beginning of year	479,707	399,209
Cash, end of year	\$ 198,149	\$ 479,707
Supplemental disclosures:		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest expense	\$ -	\$ -

Oil Change International, Inc.
Notes to Financial Statements
June 30, 2018 and 2017
(See Independent Auditor's Report)

Note A - Nature of Organization

Oil Change International, Inc. (OCI) is a non-profit corporation established in 2005 to network, encourage, and compliment a diversity of strategies and tactics around the oil industry. OCI is a research and advocacy organization that exists to force progress in the energy industry towards an environmentally and socially sustainable energy future. OCI achieves this by being a consistent and credible source of information on the industry, using knowledge of the industry to craft strategic, incisive campaigns, and by working with people around the world who are committed to shifting power. OCI's mission is to expose the true price of fossil fuels and to facilitate the coming transition to a clean energy economy.

Note B - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Method of Accounting

OCI's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

2. Financial Statement Presentation

OCI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the OCI is required to present a statement of cash flows. OCI had no permanently restricted net assets as of June 30, 2018 or 2017.

3. Revenue

OCI receives grants and gifts from various sources, foundations, charitable organizations, and individuals. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases that net asset class.

Oil Change International, Inc.
Notes to Financial Statements
June 30, 2018 and 2017
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

4. Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in temporarily restricted net assets until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

5. Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. At June 30, 2018 and 2017, contributions receivable totaled \$676,059 and \$947,068, respectively. Management believes that amounts will be received when due, therefore no allowance for uncollectible contributions receivable has been provided. Contributions receivable that relate to unrestricted contributions are part of temporarily restricted net assets until they are received. Contributions receivable that relate to otherwise temporarily restricted contributions are part of temporarily restricted net assets until the original restriction is satisfied.

6. Property and equipment

Property and equipment is recorded at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. The assets are depreciated on a straight-line basis over their estimated useful lives.

7. Income Taxes

OCI is exempt from income taxes on all activities directly related to its exempt purpose under the Internal Revenue Service Code Section 501(c)(3). OCI is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the years ended June 30, 2018 or 2017. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2018. The Organization's 2015 through 2017 tax years are open for examination by federal taxing authorities.

Oil Change International, Inc.
Notes to Financial Statements
June 30, 2018 and 2017
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

8. Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of OCI.

9. Cash and cash equivalents

For purposes of the statement of cash flows, OCI considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

10. Use of Estimates

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

Note C – Date of Management's Review

In preparing the financial statements, OCI has evaluated events and transactions for potential recognition or disclosure through February 21, 2019 the date that the financial statements were available to be issued.

Note D – Fixed Assets

Property and equipment:

	June 30, 2018	June 30, 2017
Computer equipment	\$ 41,359	\$ 36,611
Accumulated depreciation	<u>(26,320)</u>	<u>(20,126)</u>
Net book value	<u>\$ 15,039</u>	<u>\$ 16,485</u>

Depreciation expense for the year ended June 30, 2018 and 2017 totaled \$7,718 and \$3,987, respectively.

Oil Change International, Inc.
Notes to Financial Statements
June 30, 2018 and 2017
(See Independent Auditor's Report)

Note E - Contributed Services

Many volunteers have contributed numerous hours to support OCI's programs. However, these hours do not meet the requirements to be recorded as revenue and expense.

Note F – Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	June 30, 2018	June 30, 2017
Contributions receivable	\$ 676,059	\$ 947,068
Contributions for future GOST	-	25,000
	<u>39,489</u>	<u>=</u>
	<u>\$715,548</u>	<u>\$972,068</u>

Note G – Major Donors

During the year ended June 30, 2018, OCI received approximately 35% of support from two major donors.

During the year ended June 30, 2017, OCI received approximately 69% of support from three major donors.

Note H – Commitments and Contingencies

OCI's operating lease ended June 30, 2018. OCI entered into a new lease commencing July 1, 2018 and ending on June 30, 2023. Base rent under the lease is \$6,700, with annual increases. Rent expense for this space totaled \$74,532 and \$71,806 for the years ended June 30, 2018 and 2017, respectively.

Following is a schedule by year of future minimum lease payments:

June 30, 2019	\$78,000
June 30, 2020	80,400
June 30, 2021	80,400
June 30, 2022	81,600
June 30, 2023	<u>81,600</u>
	<u>\$402,000</u>

Oil Change International, Inc.
Notes to Financial Statements
June 30, 2018 and 2017
(See Independent Auditor's Report)

Note H – Commitments and Contingencies, continued

OCI had various satellite offices during the year ended June 30, 2018. The offices were leased on a month to month basis. Rent expense for the space totaled \$13,996 for the year ended June 30, 2018.

OCI had various satellite offices during the year ended June 30, 2017. The offices were leased on a month to month basis. Rent expense for the space totaled \$21,397 for the year ended June 30, 2017.

OCI sublet office space in their Washington, D.C. office during the years ended June 30, 2018 and 2017. The sublease terminates on August 31, 2018 and continues on a month to month basis. Revenue under the sublease totaled \$16,300 and \$11,300 for the year ended June 30, 2018 and 2017, respectively. The sublease is on a month to month basis.

Note I – Related Party Transactions

During the years ended June 30, 2018 and 2017, contributions from board members and a family member of the organization's management totaled \$44,880 and \$23,035, respectively.

The executive director is also a board member of OCI.

During the year ended June 30, 2016, OCI entered into a cost sharing agreement with Oil Change USA (OCUSA), a related organization. The agreement covers costs incurred by OCI on behalf of OCUSA. OCUSA must reimburse OCI quarterly for any costs incurred on their behalf. For the years ended June 30, 2018 and June 30, 2017, OCI billed OCUSA for expenses totaling \$52,244 and \$19,965, respectively.

Note J – Retirement Plan

OCI maintains a defined contribution 401(k) plan available to employees over age twenty-one working more than twenty hours per week. Under the plan, OCI may, at its discretion, make contributions to each participant's account up to three-percent of the participant's salary. Participants are eligible for the employer match once they have completed one year of service. For the years ended June 30, 2018 and 2017, OCI's contributions to the plan totaled \$20,610 and \$18,499, respectively.