Coalition for Clean Air
(a nonprofit organization)

FINANCIAL STATEMENTS

June 30, 2019

(with Independent Auditor's Report Thereon)

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Lucas Horsfall
ACCOUNTANTS + ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coalition for Clean Air
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Coalition for Clean Air (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses and cash flows 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 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 Coalition for Clean Air as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, Coalition for Clean Air adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Lucas, Horsfall, Murphy + Pindroh, L.L.P.

December 18, 2019
Pasadena, California

Coalition for Clean Air
STATEMENT OF FINANCIAL POSITION
June 30, 2019

Assets		
Cash	$	351,894
Short-term investments - other		500,000
Grants and pledges receivable, net		141,313
Prepaid expenses and other assets		43,012
Property and equipment, net		12,138
Total assets	$	1,048,357
Liabilities and net assets		
Liabilities		
Accounts payable	$	37,278
Accrued expenses		40,343
Deferred revenue		68,750
Deferred rent liability		9,175
Total liabilities		155,546
Net assets		
Without donor restrictions		
Undesignated		796,013
Designated by the board		1,500
Invested in property and equipment		12,138
		809,651
With donor restrictions		
Time restriction		53,660
Clear program		29,500
		83,160
Total net assets		892,811
Total liabilities and net assets	$	1,048,357

See Independent Auditor's Report.
The accompanying notes are an integral part of this financial statement.

Coalition for Clean Air
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	$ 359,268	$ -	$ 359,268
Grant income	197,650	114,000	311,650
Special events, net	306,552	-	306,552
Interest income	10,961	-	10,961
Net assets released from restrictions	312,965	(312,965)	-
Total support and revenue	1,187,396	(198,965)	988,431
Expenses			
Program services expense			
Program services	1,130,640	-	1,130,640
Total program services expense	1,130,640	-	1,130,640
Supporting services expense			
Management and general	128,910	-	128,910
Fundraising and development	141,668	-	141,668
Total supporting services expense	270,578	-	270,578
Total expenses	1,401,218	-	1,401,218
Change in net assets	(213,822)	(198,965)	(412,787)
Net assets, beginning of year	1,023,473	282,125	1,305,598
Net assets, end of year	$ 809,651	$ 83,160	$ 892,811

See Independent Auditor's Report.
The accompanying notes are an integral part of this financial statement.

Coalition for Clean Air
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

		Supporting Service Expenses			
	Program Services	Management and General	Fundraising and Development	Total Supporting Service Expenses	Total Expenses
Salaries	$ 508,070	$ 56,884	$ 71,620	$ 128,504	$ 636,574
Consultants	189,672	-	8,821	8,821	198,493
Legal expenses	136,651	-	-	-	136,651
Rent	89,179	7,675	12,571	20,246	109,425
Employee benefits	62,052	5,341	8,747	14,088	76,140
Professional expenses	-	47,987	12,000	59,987	59,987
Payroll taxes	42,002	3,615	5,921	9,536	51,538
Outreach	22,868	771	9,357	10,128	32,996
Travel and parking	25,407	2,187	3,581	5,768	31,175
Telephone	17,073	1,469	2,406	3,875	20,948
Insurance	14,496	1,248	2,043	3,291	17,787
Conference and training	5,931	250	2,172	2,422	8,353
Office expense	5,270	454	742	1,196	6,466
Printing and postage	4,888	420	689	1,109	5,997
Office supplies	3,291	283	464	747	4,038
Depreciation	2,324	200	327	527	2,851
Other miscellaneous	1,466	126	207	333	1,799
Total expenses	$ 1,130,640	$ 128,910	$ 141,668	$ 270,578	$ 1,401,218

See Independent Auditor's Report.
The accompanying notes are an integral part of this financial statement.

Coalition for Clean Air
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

Cash flows from operating activities	
Change in net assets	$ (412,787)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,851
Changes in:	
Grants and pledges receivable, net	199,437
Prepaid expenses and other assets	(1,390)
Accounts payable	(7,100)
Accrued expenses	12,441
Deferred rent liability	(4,592)
Deferred revenue	68,750
Net cash used in operating activities	(142,390)
Cash flows from investing activities	
Purchase of equipment	(3,098)
Net cash used in investing activities	(3,098)
Net decrease in cash	(145,488)
Cash, beginning of year	497,382
Cash, end of year	$ 351,894

See Independent Auditor's Report.
The accompanying notes are an integral part of this financial statement.

1. NATURE OF ACTIVITIES

Organization

Coalition for Clean Air ("CCA") is a California nonprofit corporation dedicated to protect public health, improve air quality, and prevent climate change.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting polices applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), which require the organization to report information regarding its financial position and activities according to the following net asset classifications based upon the existence or absence of restrictions on use that are placed by its donors:

> *Net Assets Without Donor Restrictions:* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
>
> *Net Assets With Donor Restrictions:* Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

CCA maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2019, the FDIC insures cash balances up to $250,000 per financial institution. As of June 30, 2019, CCA had uninsured cash balances of approximately $23,000 on deposit with a financial institution.

Short-term investments - other

Certificates of deposit held for investment that are not debt securities are included in “short-term investments - other”. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as “short-term investments - other”. Certificates of deposit with remaining maturities greater than one year are classified as “long-term investments—other”.

Property and Equipment

Furniture and equipment (including improvements thereto) are stated at cost if purchased, or fair market value at the date of donation, if donated.

Depreciation is provided for by the straight-line method over the estimated useful lives of 5 years.

Normal repairs and maintenance are expensed as incurred, whereas significant changes that materially increase values or extend useful lives and are at least $500 are capitalized and depreciated over the estimated remaining useful lives of the related assets. Upon sale or disposal of equipment, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is included in operations.

Promises to Give

Unconditional promises expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The organization is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the organization has an irrevocable right to the bequest.

Donated Services

Support arising from donated services is recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are reflected as increases in net assets based on the fair value of volunteer services performed. Donated services requiring recognition were approximately $137,000 for the year ended June 30, 2019, and are included in the contribution line item of the accompanying statement of activities and as legal expense on the accompanying statement of functional expenses.

In addition, a substantial number of volunteers have donated significant amounts of their time to program services and fundraising activities. However, these donated services are not reflected in the accompanying financial statements, since they do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited based on management's estimates of time spent on various programs and services.

The financial statements report certain categories of expenses that are attributed to either program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated based on salary percentage and on the basis of estimates of time and effort. Expenses that can be identified for program or supporting service are reported accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

CCA is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

Uncertain Tax Position

CCA follows the provisions of authoritative guidance relating to accounting for uncertain tax positions. The guidance prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. It also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. CCA adopted the provisions of the guidance and it had no impact on total liabilities or net assets. As of June 30, 2019 CCA's tax years for 2015, through 2018, are subject to examination by the tax authorities.

Use of Estimates In the Preparation of Financial Statements

Management of CCA has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities to prepare these financial statements in accordance with generally accepted accounting principles. Accordingly, actual results may differ from those estimates.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The CCA is currently evaluating the impact of our pending adoption of the new standard on our financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue From Contracts With Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. CCA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As the Organization is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after June 15, 2018, including interim periods.

Change in Accounting Principles

Coalition for Clean Air implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The financial statements include a disclosure about liquidity and availability of resources (See Note 3)
- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

The changes have the following effect on net assets at July 1, 2018:

Net Asset Class	*As Originally Presented*	*After adoption of ASU 2016-14*
Unrestricted	$ 1,023,473	-
Temporarily restricted net assets	282,125	-
Net assets without donor restriction	-	1,023,473
Net assets with donor restriction	-	282,125
Total net assets	$ 1,305,598	$ 1,305,598

3. LIQUIDITY AND AVAILABILITY

Coalition for Clean Air regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. CCA's cash flows have seasonal variations during the year attributable to concentration of contributions received at calendar and fiscal year-end. CCA has various sources of liquidity at its disposal, including cash, short-term investments and grants receivable.

For purpose of analyzing resources available to meet general expenditures over a 12-month period, CCA considers all expenditures related to its ongoing activities and the pattern of income from contributions and grants. In addition to financial assets available to meet general expenditures over the next 12 months, CCA operates with a balanced budget and anticipates collecting sufficient contributions to cover general expenditures not covered by donor-restricted resources.

3. LIQUIDITY AND AVAILABILITY (Continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are as follows:

Cash and cash equivalents	$	351,894
Short-term investments		500,000
Grants and pledges receivable, net		141,313
	$	993,207

4. CONCENTRATION OF REVENUE AND RECEIVABLE

As of June 30, 2019, three organizations accounted for approximately 40% of CCA's total support and revenue. In addition, four organizations accounted for approximately 76% of CCA's total grants and pledges receivable.

5. GRANTS AND PLEDGES RECEIVABLE

As of June 30, 2019, grants and pledges receivable consist of the following:

Grants and pledges receivable	$	145,563
Less: allowance for uncollectible receivables		(4,250)
Grants and pledges receivable, net	$	141,313

6. PROPERTY AND EQUIPMENT

As of June 30, 2019, property and equipment is comprised of the following:

Equipment	$	34,263
Leasehold improvement		2,729
Less: accumulated depreciation		(24,854)
Property and equipment, net	$	12,138

Total depreciation expense for the year ended June 30, 2019, was $2,851.

7. BOARD DESIGNATED NET ASSETS

In the fiscal year ending June 30, 2008, the Board of Directors established the "Ralph Perry Fund" as a board designated fund to hire student interns and scientists. At June 30, 2019, the designated fund totaled $1,500.

8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

For the year ended June 30, 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS (Continued)

Time restriction	$ 137,004
Clear Program	84,461
Public engagement	75,000
Climate change	16,500
	$ 312,965

9. RETIREMENT BENEFITS

CCA maintains a SIMPLE-IRA retirement plan for all eligible employees. The plan provides for voluntary employee contributions and Company matching of up to three percent of the employee's annual salary. All employer and employee contributions are immediately vested. Matching contributions paid to the plan during the year ended June 30, 2019, were $10,852.

10. LEASE COMMITMENTS

CCA leases its Sacramento office facilities under a non-cancelable office lease agreement, which expires February 28, 2022. The monthly lease payments range from $1,148 in the first year of the lease to $1,251 in the last year of the lease.

CCA leases its Los Angeles office facilities under a six year non-cancelable office lease agreement, which commenced on January 1, 2017. The lease agreement provides for a pro-rata share of building operating costs and six months rent abatement. The minimum monthly lease payments are $8,019 subject to an increase to $9,296, plus a pro-rata share of building operating costs. The lease expires in December 2022.

The future minimum rental payments under all operating leases are summarized as follows:

Year ending June 30,	Total
2020	$ 121,040
2021	124,564
2022	121,744
2023	55,777
	$ 423,125

Aggregate rental expense for the year ended June 30, 2019 was $109,426.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 18, 2019, which is the date the financial statements were available to be issued.