

Coalition for Clean Air  
(a nonprofit organization)

FINANCIAL STATEMENTS

June 30, 2021

(with Independent Auditor's Report Thereon)

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TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 13

## 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, 2021, 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, 2021, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**Emphasis of Matter**

As discussed in Note 2, CCA adopted Topic 606 - Revenue from Contracts with Customers using the modified retrospective method applied to all contracts as of and for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

*Lucas, Horsfall, Murphy & Pinchot, LLP*  
January 8, 2022  
Pasadena, California

Coalition for Clean Air  
STATEMENT OF FINANCIAL POSITION  
June 30, 2021

Assets	
Cash	\$ 1,076,453
Contributions receivable, net	217,438
Prepaid expenses and other assets	35,550
Property and equipment, net	<u>7,236</u>
Total assets	<u>\$ 1,336,677</u>
Liabilities and net assets	
Liabilities	
Accounts payable	\$ 7,106
Accrued expenses	62,317
Deferred revenue	279,754
Deferred rent liability	7,142
Paycheck protection program loan	<u>138,795</u>
Total liabilities	<u>495,114</u>
Net assets	
Without donor restrictions	
Undesignated	796,992
Designated by the board	1,500
Invested in property and equipment	<u>7,236</u>
	805,728
With donor restrictions	
Public engagement	6,663
Transportation	18,336
Clear program	<u>10,836</u>
	35,835
Total net assets	<u>841,563</u>
Total liabilities and net assets	<u>\$ 1,336,677</u>

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 646,915	\$ 175,000	\$ 821,915
Donated services	108,426	-	108,426
Special events, net	363,392	-	363,392
Interest income	4,840	-	4,840
Net assets released from restrictions	220,751	(220,751)	-
Total support and revenue	1,344,324	(45,751)	1,298,573
Expenses			
Program services expense			
Program services	963,275	-	963,275
Total program services expense	963,275	-	963,275
Supporting services expense			
Management and general	177,443	-	177,443
Fundraising and development	128,362	-	128,362
Total supporting services expense	305,805	-	305,805
Total expenses	1,269,080	-	1,269,080
Gain on extinguishment of debt	138,796	-	138,796
Change in net assets	214,040	(45,751)	168,289
Net assets, beginning of year	591,688	81,586	673,274
Net assets, end of year	\$ 805,728	\$ 35,835	\$ 841,563

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, 2021

	Supporting Service Expenses				Total Expenses
	Program Services	Management and General	Fundraising and Development	Total Supporting Service Expenses	
Salaries	\$ 431,704	\$ 47,631	\$ 76,839	\$ 124,470	\$ 556,174
Consultants	180,416	-	320	320	180,736
Rent	85,431	8,789	15,206	23,995	109,426
Legal expenses	62,907	45,519	-	45,519	108,426
Employee benefits	64,224	6,607	11,431	18,038	82,262
Professional expenses	-	56,233	520	56,753	56,753
Outreach	34,034	2,246	9,266	11,512	45,546
Payroll taxes	33,820	3,479	6,020	9,499	43,319
Conference and training	23,660	40	312	352	24,012
Telephone	15,190	1,563	2,704	4,267	19,457
Insurance	14,157	1,456	2,520	3,976	18,133
Office expense	5,642	580	1,004	1,584	7,226
Travel and parking	4,261	438	759	1,197	5,458
Printing and postage	3,377	347	601	948	4,325
Depreciation	2,361	243	420	663	3,024
Office supplies	2,091	215	372	587	2,678
Other miscellaneous	-	2,057	68	2,125	2,125
	\$ 963,275	\$ 177,443	\$ 128,362	\$ 305,805	\$ 1,269,080
Total expenses	\$ 963,275	\$ 177,443	\$ 128,362	\$ 305,805	\$ 1,269,080

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, 2021

Cash flows from operating activities	\$ 168,289
Change in net assets	168,289
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,024
Gain on extinguishment of debt	(138,796)
Changes in:	
Contributions receivable, net	(63,086)
Prepaid expenses and other assets	4,839
Accounts payable	(8,105)
Accrued expenses	(989)
Deferred rent liability	(2,754)
Deferred revenue	<u>90,589</u>
Net cash provided by operating activities	<u>53,011</u>
Cash flows from investing activities	
Proceeds from maturity of bonds	<u>641,000</u>
Net cash provided by investing activities	<u>641,000</u>
Cash flows from financing activities	
Proceeds from paycheck protection program loan	<u>138,795</u>
Net cash provided by financing activities	<u>138,795</u>
Net increase in cash	832,806
Cash, beginning of year	<u>243,647</u>
Cash, end of year	<u><u>\$ 1,076,453</u></u>

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



Coalition for Clean Air  
NOTES TO THE FINANCIAL STATEMENTS

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 policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

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 from the nature of the organization, the environment in which it operates, the purposes specified in its 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.

Concentration of Credit Risk

CCA maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2021, the FDIC insures cash balances up to \$250,000 per financial institution. As of June 30, 2021, CCA had uninsured deposits of \$591,744 in financial institutions.

Coalition for Clean Air  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property 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.

Contributions receivable

Contributions receivable expected to be collected within one year are recorded at net realizable value. Contributions receivable 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. Included in contributions receivable are conditional contributions of \$50,000 to be received from State of California Environmental Justice Small Grant project. CCA accrued the contribution as they met all the conditions as of June 30, 2021. CCA received \$22,768 out of the total outstanding balance on August 20, 2021.

Revenue Recognition

CCA recognizes all unconditional contributed support in the period in which the commitment to give is made. Grants and contributions are considered revenue and support without donor restriction and available for general operations unless specifically restricted by the donor. CCA reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized on unconditional grants and contributions that has been committed to CCA, but has not been received, is reflected as grants and contributions receivable in the accompanying statement of financial position.

Government grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses and are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on government grants for which billings have not been presented to or collected from the donor or awarding agency is included in grants and contributions receivable in the accompanying statement of financial position. If any amounts received in advance that were not spent as of year-end would be included in refundable advance in the accompanying statement of financial position.

Coalition for Clean Air  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

CCA 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 CCA 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 \$108,426 for the year ended June 30, 2021, and are included in the accompanying statement of activities as donated services 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.

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 accounts for uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) ASC 740, Accounting for Uncertainty in Income Taxes. FASB ASC 740 prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken. The interpretation also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. For federal and state tax purposes, CCA is no longer subject to income tax examinations by the tax authorities for year before 2017.

Coalition for Clean Air  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue From Contracts With Customers (Topic 606). As compared to existing guidance on revenue recognition, ASU 2014-09 significantly enhances comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principle-based guidance in ASU 2014-09 provides a framework for addressing revenue recognition issues comprehensively for entities that apply GAAP, in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU No. 2014-09 also improves U.S. GAAP by reducing the number of requirements which an entity must consider in recognizing revenue, as well as requiring improved disclosure to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. On July 1, 2020, CCA adopted ASU 2014-09, applying the modified retrospective method. The adoption did not have a material impact on the measurement or the recognition of revenue.

Recently Issued Accounting Pronouncements Not Yet Adopted

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. The adoption of ASU 2020-07 is not expected to have a significant impact on the CCA's financial statements. CCA is currently evaluating the impact of this new guidance on its financial statements.

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 financing 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, 2020, including interim periods within those fiscal years. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. CCA is currently evaluating the effects adoption of this guidance will have on its financial statements.

Coalition for Clean Air  
NOTES TO THE FINANCIAL STATEMENTS

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.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 are as follows:

Cash and cash equivalents	\$ 1,076,453
Contributions receivable, net	<u>217,438</u>
	<u>\$ 1,293,891</u>

4. CONCENTRATION OF REVENUE AND RECEIVABLE

As of June 30, 2021, two organizations accounted for approximately 24% of CCA's total support and revenue. In addition, two organizations accounted for approximately 40% of CCA's total contributions receivable.

5. CONTRIBUTIONS RECEIVABLE

As of June 30, 2021, grants and pledges receivable consist of the following:

Contributions receivable	\$ 221,688
Less: allowance for uncollectible receivables	<u>(4,250)</u>
Contributions receivable, net	<u>\$ 217,438</u>

Coalition for Clean Air  
NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

As of June 30, 2021, property and equipment is comprised of the following:

Equipment	\$ 35,412
Leasehold improvement	2,729
Less: accumulated depreciation	<u>(30,905)</u>
Property and equipment, net	<u>\$ 7,236</u>

Total depreciation expense for the year ended June 30, 2021, was \$3,024.

7. PAYCHECK PROTECTION PROGRAM LOAN

On January 31, 2021, CCA received a second loan proceeds in the amount of \$138,795 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first ten months. CCA intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Organization applied for forgiveness, see Note 13 subsequent events.

8. GAIN ON EXTINGUISHMENT OF DEBT

The Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twentyfour week period. On May 1, 2020, CCA received loan proceeds in the amount of \$138,796 under the PPP. On April 8, 2021, CCA received forgiveness of the entire \$138,796 loan balance.

9. 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, 2021, the designated fund totaled \$1,500.

Coalition for Clean Air  
NOTES TO THE FINANCIAL STATEMENTS

10. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

For the year ended June 30, 2021, 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:

Public engagement	\$	99,586
Clear Program		84,501
Transportation		<u>36,664</u>
	\$	<u><u>220,751</u></u>

11. 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, 2021, were \$11,786.

12. LEASE COMMITMENTS

CCA leases its Sacramento office facilities under a non-cancelable office lease agreement, which expires February 28, 2025. The monthly lease payments range from \$1,148 in the first year of the lease to \$1,309 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:

<u>Year ending June 30,</u>	<u>Total</u>
2022	\$ 122,978
2023	70,735
2024	15,406
2025	<u>10,474</u>
	<u><u>\$ 219,593</u></u>

Aggregate rental expense for the year ended June 30, 2021 was \$109,426.

Coalition for Clean Air  
NOTES TO THE FINANCIAL STATEMENTS

13. SUBSEQUENT EVENTS

January 2022, Organization applied for PPP loan forgiveness.

Subsequent events have been evaluated through January 8, 2022, which is the date the financial statements were available to be issued.