

CLEAN AIR CAROLINA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

CLEAN AIR CAROLINA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Clean Air Carolina
Charlotte, North Carolina

We have audited the accompanying financial statements of Clean Air Carolina (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and 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 in the first paragraph present fairly, in all material respects, the financial position of Clean Air Carolina, as of December 31, 2017 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and our report dated June 6, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
May 22, 2018

CLEAN AIR CAROLINA**Statement of Financial Position****December 31, 2017, with prior year comparative totals**

	December 31,	
	2017	2016
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 931,949	\$ 542,501
Investments:		
Assets held in trust by third party	236,424	200,691
Receivables:		
Pledges and grants	630,166	528,600
Sales tax refunds	1,707	1,259
Prepaid expenses	5,956	5,227
	<hr/>	<hr/>
Total Current Assets	1,806,202	1,278,278
Property and Equipment (net)	5,348	11,902
	<hr/>	<hr/>
TOTAL	\$ 1,811,550	\$ 1,290,180
<hr/>		
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 9,187	\$ 10,090
Accrued payroll	6,636	6,773
	<hr/>	<hr/>
Total Current Liabilities	15,823	16,863
Net Assets:		
Unrestricted:		
Undesignated	1,168,572	664,900
Designated	-	86,861
	<hr/>	<hr/>
Total unrestricted	1,168,572	751,761
Temporarily restricted	627,155	521,556
	<hr/>	<hr/>
Total Net Assets	1,795,727	1,273,317
	<hr/>	<hr/>
TOTAL	\$ 1,811,550	\$ 1,290,180
<hr/>		

CLEAN AIR CAROLINA

Statement of Activities

Year ended December 31, 2017, with prior year comparative totals

	Year ended December 31, 2017			Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Grants and contributions	\$ 457,073	\$ 666,970	\$ 1,124,043	\$ 1,343,573
Investment earnings	42,559	-	42,559	2,860
Loss on disposal of assets	(3,280)	-	(3,280)	-
Net assets released from restrictions:				
Restrictions satisfied by payment	561,371	(561,371)	-	-
<i>Total Support and Revenue</i>	<i>1,057,723</i>	<i>105,599</i>	<i>1,163,322</i>	<i>1,346,433</i>
<u>EXPENSES</u>				
Program services	485,024	-	485,024	405,237
Management and general	89,090	-	89,090	55,250
Fundraising	66,798	-	66,798	74,655
<i>Total Expenses</i>	<i>640,912</i>	<i>-</i>	<i>640,912</i>	<i>535,142</i>
CHANGE IN NET ASSETS	416,811	105,599	522,410	811,291
NET ASSETS, BEGINNING	751,761	521,556	1,273,317	462,026
NET ASSETS, ENDING	\$ 1,168,572	\$ 627,155	\$ 1,795,727	\$ 1,273,317

CLEAN AIR CAROLINA

Statement of Functional Expenses

Year ended December 31, 2017, with prior year comparative totals

	Year ended December 31, 2017				Prior Year
	Program Services	Management and General	Fundraising	TOTALS	Comparative Totals
<i>PERSONNEL</i>					
Salaries, wages and benefits	\$ 254,089	\$ 40,461	\$ 54,613	\$ 349,163	\$ 271,221
Payroll taxes	18,504	7,359	3,821	29,684	23,721
<i>Total</i>	<i>272,593</i>	<i>47,820</i>	<i>58,434</i>	<i>378,847</i>	<i>294,942</i>
<i>OTHER</i>					
Outreach and development	56,944	-	-	56,944	64,746
Professional services	19,812	14,834	1,751	36,397	50,078
Occupancy	16,967	5,338	-	22,305	19,645
Board and other meetings	4,294	2,644	-	6,938	3,693
Office supplies and expense	5,144	3,046	79	8,269	37,494
Computer and website	21,187	6,100	4,994	32,281	1,125
Dues and subscriptions	6,445	1,952	-	8,397	4,880
Insurance	2,560	1,046	-	3,606	3,249
Training and conferences	3,094	79	125	3,298	512
Marketing	9,024	-	362	9,386	19,315
Travel	25,306	902	46	26,254	16,592
Printing and copier lease	34,657	6	-	34,663	3,004
Educational materials	3,213	840	716	4,769	8,951
Postage and miscellaneous	884	691	291	1,866	545
Depreciation expense	-	3,274	-	3,274	4,640
Telephone	2,900	518	-	3,418	1,731
<i>Total</i>	<i>212,431</i>	<i>41,270</i>	<i>8,364</i>	<i>262,065</i>	<i>240,200</i>
<i>TOTAL EXPENSES</i>	<i>\$ 485,024</i>	<i>\$ 89,090</i>	<i>\$ 66,798</i>	<i>\$ 640,912</i>	<i>\$ 535,142</i>

CLEAN AIR CAROLINA

Statement of Cash Flows

Year ended December 31, 2017, with prior year comparative totals

	December 31,	
	2017	2016
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 522,410	\$ 811,291
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,274	4,640
Change in value of assets held in trust by third party	(36,557)	(2,250)
Loss on disposal of assets	3,280	-
(Increase) decrease in operating assets:		
Receivables	(102,014)	(528,716)
Prepaid expenses	(729)	(2,685)
Increase in operating liabilities:		
Accrued payroll	(137)	574
Accounts payable	(903)	3,326
	<u>388,624</u>	<u>286,180</u>
	<i>Net Cash Flows from Operating Activities</i>	<i>286,180</i>
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	(1,196)	(200,000)
Sales of investments	2,020	1,559
Purchases of fixed assets	-	(6,141)
	<u>824</u>	<u>(204,582)</u>
	<i>Net Cash Flows from Investing Activities</i>	<i>(204,582)</i>
NET CHANGE IN CASH	389,448	81,598
CASH AND CASH EQUIVALENTS, BEGINNING	542,501	460,903
CASH AND CASH EQUIVALENTS, ENDING	\$ 931,949	\$ 542,501

CLEAN AIR CAROLINA

Notes to Financial Statements

December 31, 2017

NOTE 1 – NATURE OF ACTIVITIES

Organization and purpose

Clean Air Carolina (the Organization) was incorporated under the laws of the State of North Carolina as a not-for-profit organization in 2003. The Organization is located in Charlotte, North Carolina, and is an initiative working to restore clean and healthy air to the Central Carolinas region by raising awareness about air pollution and climate change, building partnerships, and advocating for policy changes and individual action.

Funding sources

Activities of the Organization are financed principally by grants from corporations and private foundations and by contributions from individuals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Unrestricted net assets are those which are not subject to donor-imposed stipulations and are currently available for use in the day-to-day operations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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. Restricted grants and contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The donors of these assets generally permit the Organization to use the income earned on any related investments for general or specific purposes. As of December 31, 2017, the Organization had no permanently restricted net assets.

Recorded donated goods and services

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in contributions at fair value. During the year, the Organization recorded donated supplies with a fair value of \$8,400 and no donated services.

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Notes to Financial Statements

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other donated goods and services

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. No amounts have been reflected in the financial statements for these contributions as the contributions are either insignificant or do not meet the criteria for recognition.

Cash and cash equivalents

Cash and cash equivalents consist of cash in bank checking and savings accounts, cash in a credit union money market account, and cash and cash equivalents held in the Organization's investment account.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

Federal income tax status

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's 2016 financial statements, from which the summarized information was derived. Certain prior-year information has been reclassified to conform to 2017 presentation.

CLEAN AIR CAROLINA

Notes to Financial Statements

December 31, 2017

NOTE 3 – INVESTMENTS

Investments of \$236,424 at year-end are held by Foundation For The Carolinas (FFTC) in their Non-endowed Designated Fund under their asset investment strategy of Custom Alliance Manager. The value stated at year-end represents FFTC's allocated fair value of the Organization's share of this investment pool.

Investment earnings for the year is comprised of the following:

Interest and dividends	\$ 8,022
Increase in value of assets held in trust	36,557
	<hr/> 44,579
Less – fees	2,020
	<hr/> \$ 42,559

Fair value measurements

Current accounting standards require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level I - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level II - Fair value is based on observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's interest in assets held in trust by FFTC are classified as Level III assets. Values of these investments are determined by FFTC based on the fair value of the underlying assets, which consists of assets some of which are publicly traded and some of which are not publicly traded.

The following table sets forth a summary of changes in the fair value of the Organization's Level III assets for the year:

Balance, beginning of year	\$ 200,691
Increase in value	36,557
Purchases	1,196
Sales	<hr/> (2,020)
Balance, end of year	<hr/> \$ 236,424

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Notes to Financial Statements

December 31, 2017

NOTE 4 – RECEIVABLES

Receivables are shown with no allowance for doubtful accounts. All amounts are expected to be collected during the subsequent fiscal year. Pledges and grants receivable includes \$600,000 from one donor, which was received after year-end.

NOTE 5 – PROPERTY AND EQUIPMENT

Fixed assets exceeding \$5,000 of value are recorded at cost if purchased or fair market value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which vary from three to ten years.

Property at December 31, 2017 is composed of the following:

Furniture and equipment	\$ 12,835
Leasehold improvements	<u>1,603</u>
	14,438
Less – accumulated depreciation	<u>9,090</u>
Property and Equipment – net	<u><u>\$ 5,348</u></u>

NOTE 6 – LEASE COMMITMENTS

The Organization leases office space and equipment under non-cancelable operating leases. Minimum future rental payments under these are as follows:

Year ending December 31:	
2018	\$ 21,995
2019	6,189
2020	1,416
2021	1,416
2022	<u>944</u>
Total	<u><u>\$ 31,960</u></u>

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Notes to Financial Statements

December 31, 2017

NOTE 7 – NET ASSETS

Temporarily restricted

As of December 31, 2017, temporarily restricted net assets consist of \$2,155 restricted to be used for the Wood Pellet Forum and two pledges receivable totaling \$625,000 which are time-restricted to be received in 2018.

NOTE 8 – CONCENTRATIONS OF RISK

Cash

Cash in credit unions are insured up to \$250,000 by the National Credit Union Administration (NCUA). The total cash held by the Organization at December 31, 2017, includes \$355,819 in excess of insured limits covered by the NCUA.

Funding

The Organization receives a significant portion of its revenue in the form of grants from private foundations. This represents a significant concentration of risk that operations could be affected if these private foundations unexpectedly discontinued their funding of the Organization. During the year, 86% of support and revenue was received from one donor.

Geographic area

The Organization operates in a small geographic area, and is therefore sensitive to changes in the local economy.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.