

CLEAN AIR CAROLINA

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016, 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, 2016 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 2015 financial statements, and our report dated July 5, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.
June 6, 2017

CLEAN AIR CAROLINA**Statement of Financial Position****December 31, 2016, with prior year comparative totals**

	December 31,	
	2016	2015
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 542,501	\$ 460,903
Investments	200,691	-
Receivables:		
Pledges and grants	528,600	793
Sales tax refunds	1,259	350
Prepaid expenses	5,227	2,542
<i>Total Current Assets</i>	<i>1,278,278</i>	<i>464,588</i>
Property and Equipment (net)	11,902	10,401
<i>TOTAL</i>	<i>\$ 1,290,180</i>	<i>\$ 474,989</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 10,090	\$ 6,764
Accrued payroll	6,773	6,199
<i>Total Current Liabilities</i>	<i>16,863</i>	<i>12,963</i>
Net Assets:		
Unrestricted:		
Undesignated	664,900	241,963
Designated	86,861	195,700
Total unrestricted	751,761	437,663
Temporarily restricted	521,556	24,363
<i>Total Net Assets</i>	<i>1,273,317</i>	<i>462,026</i>
<i>TOTAL</i>	<i>\$ 1,290,180</i>	<i>\$ 474,989</i>

CLEAN AIR CAROLINA

Statement of Activities

Year ended December 31, 2016, with prior year comparative totals

	Year ended December 31, 2016			Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Grants and contributions	\$ 786,518	\$ 557,055	\$ 1,343,573	\$ 587,395
Special events	-	-	-	2,465
Investment earnings	2,860	-	2,860	-
Other income	-	-	-	817
Net assets released from restrictions:				
Restrictions satisfied by payment	59,862	(59,862)	-	-
<i>Total Support and Revenue</i>	849,240	497,193	1,346,433	590,677
<u>EXPENSES</u>				
Program services	405,237	-	405,237	316,844
Management and general	55,250	-	55,250	65,685
Fundraising	74,655	-	74,655	30,205
<i>Total Expenses</i>	535,142	-	535,142	412,734
CHANGE IN NET ASSETS	314,098	497,193	811,291	177,943
NET ASSETS, BEGINNING	437,663	24,363	462,026	284,083
NET ASSETS, ENDING	\$ 751,761	\$ 521,556	\$ 1,273,317	\$ 462,026

CLEAN AIR CAROLINA

Statement of Functional Expenses

Year ended December 31, 2016, with prior year comparative totals

	Year ended December 31, 2016				Prior Year
	Program Services	Management and General	Fundraising	TOTALS	Comparative Totals
<i>PERSONNEL</i>					
Salaries, wages and benefits	\$ 198,807	\$ 20,894	\$ 51,520	\$ 271,221	\$ 230,044
Payroll taxes	16,310	3,355	4,056	23,721	18,828
<i>Total</i>	<i>215,117</i>	<i>24,249</i>	<i>55,576</i>	<i>294,942</i>	<i>248,872</i>
<i>OTHER</i>					
Outreach and development	64,746	-	-	64,746	18,170
Professional services	28,607	13,497	7,974	50,078	44,021
Occupancy	14,921	1,915	2,809	19,645	12,299
Board and other meetings	1,629	2,064	-	3,693	5,647
Office supplies and expense	25,946	5,369	6,179	37,494	12,964
Software and website	788	135	202	1,125	4,627
Dues and subscriptions	4,361	519	-	4,880	2,611
Insurance	1,262	1,736	251	3,249	2,243
Training and conferences	267	245	-	512	47,918
Marketing	18,977	88	250	19,315	6,551
Travel	16,018	574	-	16,592	5,657
Printing	10,965	618	372	11,955	7,144
Postage and miscellaneous	192	353	-	545	1,041
Depreciation expense	-	3,772	868	4,640	4,095
Telephone	1,441	116	174	1,731	1,754
<i>Total</i>	<i>190,120</i>	<i>31,001</i>	<i>19,079</i>	<i>240,200</i>	<i>176,742</i>
<i>Total Expenses</i>	<i>405,237</i>	<i>55,250</i>	<i>74,655</i>	<i>535,142</i>	<i>425,614</i>
Less- Special event costs deducted from revenue	-	-	-	-	12,880
<i>TOTAL EXPENSES</i>	<i>\$ 405,237</i>	<i>\$ 55,250</i>	<i>\$ 74,655</i>	<i>\$ 535,142</i>	<i>\$ 412,734</i>

CLEAN AIR CAROLINA**Statement of Cash Flows****Year ended December 31, 2016, with prior year comparative totals**

	December 31,	
	2016	2015
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 811,291	\$ 177,943
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,640	4,095
Unrealized gains on investments	(2,250)	-
(Increase) decrease in operating assets:		
Receivables	(528,716)	10,857
Prepaid expenses	(2,685)	(1,302)
Increase in operating liabilities:		
Accrued payroll	574	994
Accounts payable	3,326	2,028
<u>Net Cash Flows from Operating Activities</u>	<u>286,180</u>	<u>194,616</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	(200,000)	-
Sales of investments	1,559	-
Purchases of fixed assets	(6,141)	(2,115)
<u>Net Cash Flows from Investing Activities</u>	<u>(204,582)</u>	<u>(2,115)</u>
NET CHANGE IN CASH	81,598	192,500
CASH, BEGINNING	460,903	268,403
CASH, ENDING	\$ 542,501	\$ 460,903

CLEAN AIR CAROLINA

Notes to Financial Statements

December 31, 2016

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, 2016, 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 contributed services with a fair value of \$4,500 and donated supplies with a fair value of \$26,224.

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Notes to Financial Statements

December 31, 2016

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.

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 2015 financial statements, from which the summarized information was derived. Certain prior-year information has been reclassified to conform to 2016 presentation.

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Notes to Financial Statements

December 31, 2016

NOTE 3 – INVESTMENTS

Investments of \$200,691 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.

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 investments at FFTC are classified as Level III assets. The value of the Organization's investments are determined by FFTC based on the market value of the underlying assets, however, since the investment pool is not a marketable asset, the Organization's pro-rata share is considered to be Level III.

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	\$ -
Increase in value	2,250
Purchases	200,000
Sales	<u>(1,559)</u>
Balance, end of year	<u>\$ 200,691</u>

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 \$500,000 from one donor, which was received after year-end, and \$25,000 for the second year of a 2-year grant award, which has not been received.

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Notes to Financial Statements

December 31, 2016

NOTE 5 – PROPERTY AND EQUIPMENT

Fixed assets exceeding \$500 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, 2016 is composed of the following:

Furniture and equipment	\$ 23,790
Leasehold improvements	<u>3,028</u>
	26,818
Less – accumulated depreciation	<u>14,916</u>
PROPERTY AND EQUIPMENT – NET	<u>\$ 11,902</u>

NOTE 6 – LEASE COMMITMENTS

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

Year ending December 31:	
2017	\$ 22,305
2018	19,604
2019	<u>4,773</u>
Total	<u>\$ 46,682</u>

Subsequent to December 31, 2016, the Organization renewed the lease for its Chapel Hill office space. The schedule above includes the commitment related to this new lease. Total lease payments made during the year ended December 31, 2016 for all leases were \$18,050.

NOTE 7 – NET ASSETS

Designated

Designated net assets as of December 31, 2016 consisted of \$86,861 set aside for future operating expenses.

Temporarily restricted

As of December 31, 2016, temporarily restricted net assets consist of \$4,932 restricted to be used for the NC Breathe Conference, \$16,624 restricted to be used for the Clean Air Zones Monitoring Project, and a \$500,000 pledge receivable time-restricted to be received in 2017.

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Notes to Financial Statements

December 31, 2016

NOTE 8 – CONCENTRATIONS OF RISK

Cash

Cash in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization at December 31, 2016, includes \$296,428 in excess of insured limits covered by the FDIC.

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, 89% 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, except as disclosed in Note 6 above.