

Coalition for Clean Air
(a nonprofit organization)

FINANCIAL STATEMENTS

June 30, 2015

(with Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' 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, 2015, the related statements of activities, 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.

Auditors' 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, 2015, 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.

Lucas, Horsfall, Murphy & Pinchot, LLP

December 15, 2015
Pasadena, California

Coalition for Clean Air
STATEMENT OF FINANCIAL POSITION
June 30, 2015

Assets

Cash	\$ 1,109,252
Grants and pledges receivable, net	147,755
Prepaid expenses and other assets	10,774
Property and equipment, net	<u>5,096</u>

Total Assets \$ 1,272,877

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 57,410
Accrued expenses	22,548
Deferred liabilities	<u>20,593</u>

Total Liabilities 100,551

Net Assets

Unrestricted:

Unrestricted	709,497
Unrestricted, board designated	<u>1,500</u>
Total unrestricted	710,997

Temporarily restricted 461,329

Total Net Assets 1,172,326

Total Liabilities and Net Assets \$ 1,272,877

The accompanying notes are an integral part of this financial statement.

Coalition for Clean Air
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 62,520	\$ 233	\$ 62,753
Grant income	-	404,436	404,436
Special events (net of direct donor benefits of \$56,100)	245,301	-	245,301
Interest income	1,365	-	1,365
Rental income	13,171	-	13,171
Gain(Loss) on sale of securities	(68)	-	(68)
Net assets released from restrictions	<u>570,375</u>	<u>(570,375)</u>	<u>-</u>
 Total support and revenue	<u>892,664</u>	<u>(165,706)</u>	<u>726,958</u>
EXPENSES			
Salaries	402,755	-	402,755
Rent and utilities	89,594	-	89,594
Legal and professional	65,545	-	65,545
Employee benefits	43,508	-	43,508
Conference and training	43,444	-	43,444
Consultants	40,325	-	40,325
Grant repayment	37,515	-	37,515
Payroll taxes	34,449	-	34,449
Travel and parking	20,565	-	20,565
Telephone	19,729	-	19,729
Insurance	19,293	-	19,293
Office expense	13,850	-	13,850
Printing and postage	11,712	-	11,712
Outreach	7,977	-	7,977
Office supplies	5,241	-	5,241
Depreciation	3,188	-	3,188
Other miscellaneous	1,242	-	1,242
Loss on disposal of assets	<u>52</u>	<u>-</u>	<u>52</u>
 Total expenses	<u>859,984</u>	<u>-</u>	<u>859,984</u>
 CHANGE IN NET ASSETS	<u>32,680</u>	<u>(165,706)</u>	<u>(133,026)</u>
 NET ASSETS BEGINNING OF YEAR	<u>678,317</u>	<u>627,035</u>	<u>1,305,352</u>
 NET ASSETS END OF YEAR	<u>\$ 710,997</u>	<u>\$ 461,329</u>	<u>\$ 1,172,326</u>

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, 2015

Cash flows from operating activities	
Change in net assets	\$ (133,026)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	3,188
Loss on disposal of assets	52
Changes in:	
Grants and pledges receivable	439,154
Prepaid expenses and other assets	17,635
Accounts payable	40,556
Accrued expenses	(2,182)
Deferred liabilities	<u>(10,465)</u>
Net provided by operating activities	<u>354,912</u>
Net increase in cash	354,912
Cash, beginning of year	<u>754,340</u>
Cash, end of year	<u><u>\$ 1,109,252</u></u>

The accompanying notes are an integral part of this financial statement.

Coalition for Clean Air
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION

Organization

Coalition for Clean Air ("CCA") is a California nonprofit corporation dedicated to the protection of the environment and public health with an emphasis on air quality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of CCA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, "Not-For-Profit Organizations," which requires CCA to classify its net assets into three categories according to donor-imposed restrictions or provisions of law: unrestricted, temporarily restricted, and permanently restricted.

Cash

CCA's maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2015, the FDIC insures cash balances up to \$250,000 per financial institution. As of June 30, 2015, CCA had an uninsured balance on deposit with a financial institution in the amount of \$33,348.

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 following estimated useful lives between five to seven 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.

Coalition for Clean Air
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CCA and changes therein are classified and reported as follows:

Unrestricted Net Assets: the part of the net assets of CCA that are not subject to donor-imposed restrictions. The only limits on unrestricted net assets are broad limits resulting from the nature of CCA and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

Temporarily Restricted Net Assets: the part of the net assets of CCA resulting from (a) contributions and other inflows of assets whose use by CCA is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CCA pursuant to those stipulations and (b) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of CCA pursuant to those stipulations.

Permanently Restricted Net Assets: the part of the net assets of CCA, which includes gifts in which donors have stipulated that the principle be invested in perpetuity. At June 30, 2015, CCA had no such net assets.

Revenue Recognition

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. For the year ended June 30, 2015, approximately \$713,000 of CCA's revenue was generated from contributions, grants and fundraising events.

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 \$34,000 for the year ended June 30, 2015, and are included in the contribution line item of the accompanying statement of activities.

In addition, a substantial number of volunteers have donated significant amounts of their time to program services and fund raising 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.

Coalition for Clean Air
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Program services - Consist of costs incurred in connection with providing services and conducting programs.

Management and general - Consist of costs incurred in connection with the overall activities of CCA, which are not specifically allocable to another functional expense category.

Fundraising - Includes direct campaign costs, salaries and related expenses of conducting campaigns and accounting for pledge transactions and payments, as well as an allocation of indirect management and general costs.

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, 2015, CCA's tax years for 2011, 2012, 2013 and 2014, 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.

3. CONCENTRATION OF RISK

As of June 30, 2015, two private foundation accounted for approximately 49% of CCA's total support and revenue. In addition, five private foundations accounted for approximately 80% of CCA's total grants and pledges receivable, net.

Coalition for Clean Air
NOTES TO THE FINANCIAL STATEMENTS

4. GRANTS AND PLEDGES RECEIVABLE

As of June 30, 2015, grants and pledges receivable consist of the following:

Grants and pledges receivable	\$ 152,755
Less: allowance for uncollectible receivables	<u>(5,000)</u>
Grants and pledges receivable, net	<u>\$ 147,755</u>

5. PROPERTY AND EQUIPMENT

As of June 30, 2015, property and equipment is comprised of the following:

Equipment	\$ 21,239
Less: accumulated depreciation	<u>(16,143)</u>
Property and equipment, net	<u>\$ 5,096</u>

Total depreciation expense for the year ended June 30, 2015, was \$3,188.

6. 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, 2015, the designated fund totaled \$1,500.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2015:

Transportation	\$ 213,722
Climate change	169,224
Education & outreach programs	53,383
Time restriction	<u>25,000</u>
	<u>\$ 461,329</u>

8. ENDOWMENT INVESTMENTS

CCA has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted fund absent explicit donor stipulations to the contrary. As a result of this interpretation, CCA classifies as temporarily restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts and (c) accumulations to the temporarily restricted net asset made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The donor-restricted funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CCA in a manner consistent with the standard of prudence prescribed by State Prudent Management of Institutional Funds Act (SPMIFA).

At June 30, 2015, the Organization maintained all of its temporarily restricted net asset in a money market fund and certificate of deposits managed by RBC Wealth Management.

Coalition for Clean Air
NOTES TO THE FINANCIAL STATEMENTS

9. GRANT REPAYMENT

During the fiscal year ended June 30, 2013, CCA received grant funds in support of a particular advocacy program. As part of the grant agreement, any costs recovered through the particular advocacy program activity, as well as any unused funds of the grant, are required to be returned to the grantor. As of June 30, 2015, approximately \$37,000 of the grant funds were unused, are considered refundable to the grantor, and are included in accounts payable on the accompanying statement of financial position.

10. FUNCTIONAL EXPENSE ALLOCATION

The following is an allocation of CCA's expenses by function:

Program	\$ 694,327
General and administrative	50,756
Fundraising	<u>114,901</u>
	<u>\$ 859,984</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, 2015, were \$9,450.

12. LEASE COMMITMENTS

CCA leases its Sacramento office facilities under a non-cancelable office lease agreement, which expires February 28, 2018. The lease agreement requires monthly lease payments of \$1,237 for the first 12 months of the lease, and \$1,302 for the last 12 months of the lease.

CCA leases its Los Angeles office facilities under a five year non-cancelable office lease agreement, which commenced on January 1, 2012. The lease agreement provides for a pro-rata share of building operating costs and an initial seven months rent abatement. The minimum monthly lease payments are \$6,703 subject to an increase to \$7,544, plus a pro-rata share of building operating costs.

CCA entered into a non-cancelable five year office equipment lease agreement in October 2013. Gross monthly minimum lease payments are \$252 through October 2018.

Coalition for Clean Air
NOTES TO THE FINANCIAL STATEMENTS

12. LEASE COMMITMENTS (Continued)

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

<u>Year ending June 30,</u>	<u>Total</u>
2016	\$ 107,202
2017	63,650
2018	13,440
2019	<u>1,008</u>
	<u>\$ 185,300</u>

Aggregate rental expense for the year ended June 30, 2015, was \$93,555.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 15, 2015, which is the date the financial statements were available to be issued.