Coalition for Clean Air
(a nonprofit organization)

FINANCIAL STATEMENTS

June 30, 2023

(with Independent Auditor's Report Thereon)

Coalition for Clean Air

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coalition for Clean Air
Los Angeles, California

Opinion

We have audited the accompanying financial statement of the Coalition for Clean Air (the Organization), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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

December 11, 2023
Pasadena, California

Coalition for Clean Air
STATEMENT OF FINANCIAL POSITION
June 30, 2023

Assets	
Cash	$ 1,466,321
Contributions receivable, net	279,111
Prepaid expenses and other assets	24,499
Operating lease right-of-use assets, net	364,064
Property and equipment, net	7,151
Total assets	$ 2,141,146
Current liabilities	
Accounts payable	$ 97,699
Accrued expenses	86,261
Deferred revenue	165,020
Operating lease liability, current portion	58,475
Total current liabilities	407,455
Operating lease liability, net of current portion	320,222
Total liabilities	727,677
Net assets	
Without donor restrictions	
Undesignated	1,217,984
Designated by the board	1,500
Invested in property and equipment	7,151
	1,226,635
With donor restrictions	
General operating support	13,917
Transportation	83,334
Clear program	89,583
	186,834
Total net assets	1,413,469
Total liabilities and net assets	$ 2,141,146

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	$ 806,709	$ 395,500	$ 1,202,209
Donated services	10,170	-	10,170
Interest income	11,922	-	11,922
Special events revenue			
Event revenue	403,524	-	403,524
In-kind contributions	13,299	-	13,299
Less special event expenses	(58,761)	-	(58,761)
Special events revenue, net	358,062	-	358,062
Net assets released from restrictions	314,825	(314,825)	-
Total support and revenue	1,501,688	80,675	1,582,363
Expenses			
Program services expense			
Program services	1,142,083	-	1,142,083
Total program services expense	1,142,083	-	1,142,083
Supporting services expense			
Management and general	116,244	-	116,244
Fundraising and development	155,088	-	155,088
Total supporting services expense	271,332	-	271,332
Total expenses	1,413,415	-	1,413,415
Change in net assets	88,273	80,675	168,948
Net assets, beginning of year	1,138,362	106,159	1,244,521
Net assets, end of year	$ 1,226,635	$ 186,834	$ 1,413,469

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, 2023

		Supporting Service Expenses			
	Program Services	Management and General	Fundraising and Development	Total Supporting Service Expenses	Total Expenses
Salaries	$ 556,224	$ 58,620	$ 87,193	$ 145,813	$ 702,037
Consultants	239,420	16,138	1,827	17,965	257,385
Rent and utilities	81,074	8,544	12,709	21,253	102,327
Grants	68,722	-	-	-	68,722
Employee benefits	48,097	5,069	7,540	12,609	60,706
Payroll taxes	42,536	4,483	6,668	11,151	53,687
Professional Services	29,986	3,160	4,701	7,861	37,847
Outreach	2,024	9,883	13,529	23,412	25,436
Insurance	17,059	1,798	2,674	4,472	21,531
Travel and parking	10,119	4,363	6,761	11,124	21,243
Office expense	15,479	1,631	2,426	4,057	19,536
Telephone	12,513	1,319	1,962	3,281	15,794
In-kind legal expenses	10,170	-	-	-	10,170
Conference and training	2,970	45	3,456	3,501	6,471
Office supplies	3,765	397	590	987	4,752
Printing and postage	-	591	2,750	3,341	3,341
Depreciation	1,925	203	302	505	2,430
Total expenses	$ 1,142,083	$ 116,244	$ 155,088	$ 271,332	$ 1,413,415

Coalition for Clean Air
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

Cash flows from operating activities	
Change in net assets	$ 168,948
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,430
Amortization of operating lease, right-of-use assets	25,423
Changes in:	
Contributions receivable, net	(25,013)
Prepaid expenses and other assets	20,556
Accounts payable	93,950
Accrued expenses	20,204
Deferred rent liability	(1,737)
Deferred revenue	(143,209)
Operating lease liability	(10,791)
Net cash provided by operating activities	150,761
Cash flows from investing activities	
Purchase of property and equipment	(2,999)
Net cash used in investing activities	(2,999)
Net increase in cash	147,762
Cash, beginning of year	1,318,559
Cash, end of year	$ 1,466,321
Supplemental cash flow information related to leases	
Operating cash outflows- payments on operating leases	$ 92,793
Right-of-use asset obtained in exchange for lease obligation	$ 39,212

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 (the Organization, 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 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.

Concentration of Credit Risk

CCA maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2023, the FDIC insures cash balances up to $250,000 per financial institution. As of June 30, 2023, CCA had uninsured deposits of $530,364 in financial institutions.

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.

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.

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 $10,170 for the year ended June 30, 2023, and are included in the accompanying statement of activities as legal expenses on the accompanying statement of functional expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services (Continued)

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.

Deferred Revenue

Deferred revenue is a result of government grants received in advance.

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 2018.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Adopted

Not-for-Profit Entities: Presentation and Disclosures for Contributed Nonfinancial Assets:
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, disaggregate by category.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also includes any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset class. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating leases of $39,212 at July 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

3. LIQUIDITY AND AVAILABILITY

CCA 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, 2023 are as follows:

Cash and cash equivalents	$ 1,466,321
Contributions receivable, net	279,111
Less with donor restrictions	(186,834)
	$ 1,558,598

4. CONTRIBUTIONS RECEIVABLE

As of June 30, 2023, grants and pledges receivable consist of the following:

Contributions receivable	$ 283,361
Less: allowance for uncollectible receivables	(4,250)
Contributions receivable, net	$ 279,111

As of June 30, 2023, two organizations accounted for approximately 67% of CCA's total contribution receivable.

5. PROPERTY AND EQUIPMENT

As of June 30, 2023, property and equipment is comprised of the following:

Equipment	$ 40,400
Leasehold improvement	2,729
Less: accumulated depreciation	(35,978)
Property and equipment, net	$ 7,151

Total depreciation expense for the year ended June 30, 2023, was $2,430.

6. IN-KIND CONTRIBUTIONS

The Organization received donated professional services and contributions as follows during the year ended June 30, 2023:

	Revenue Recognized	Utilization in Programs/Activities	Donor restricted
In-kind - legal services	$ 10,170	Program Services	No associated donor restrictions
In-kind - special event contributions	13,299	Fundraising and Development	No associated donor restrictions
Total donated in-kind	$ 23,469		

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, 2023, the designated fund totaled $1,500.

8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

For the year ended June 30, 2023, 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	$ 59,583
Clear Program	44,917
Transportation	150,742
General Operating Support	59,583
	$ 314,825

9. RETIREMENT BENEFITS

CCA maintains a SIMPLE-IRA retirement plan for all eligible employees. The plan provides for voluntary employee contributions and Organization 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, 2023 were $13,760, included in employee benefits in the statement of functional expenses.

10. LEASES

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.

10. LEASES (Continued)

CCA leases its Los Angeles office facilities under a 65 month non-cancelable office lease agreement, which commenced on April 1, 2023. The lease agreement provides for a pro-rata share of building operating costs and five months rent abatement. The minimum monthly lease payments are $6,117 subject to an increase to $7,091, plus a pro-rata share of building operating costs. The lease expires in August 2028.

The following table summarizes the weighted average remaining lease term and discount rate for operating leases:

Weighted average remaining lease term	4.87	years
Weighted average discount rate	3.56	%

Future discounted cash flows for each of the next five years and the lease liabilities recognized on the statement of financial position are as follows for the year ended June 30, 2023:

2024	$ 71,006
2025	86,641
2026	78,452
2027	80,805
2028	83,230
Thereafter	14,182
Total lease payments	414,316
Less: Future interest	(35,619)
Present value of lease obligations	$ 378,697

Aggregate rental expense for the year ended June 30, 2023 was $100,550.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 11, 2023, which is the date the financial statements were available to be issued.