

CLEANAIRE NC
FINANCIAL STATEMENTS
DECEMBER 31, 2021

CLEANAIRE NORTH CAROLINA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CleanAIRE North Carolina (d/b/a CleanAIRE NC)
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of CleanAIRE North Carolina (d/b/a CleanAIRE NC) (formerly Clean Air Carolina, the "Organization" - a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and 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 financial statements referred to above present fairly, in all material respects, the financial position of CleanAIRE North Carolina (d/b/a CleanAIRE NC) as of December 31, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 CleanAIRE North Carolina (d/b/a CleanAIRE NC) 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 CleanAIRE North Carolina (d/b/a CleanAIRE NC)'s ability to continue as a going concern within one year after the date that the financial statements are 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 auditors' 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 generally accepted auditing standards 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.

CleanAIRE North Carolina (d/b/a CleanAIRE NC)
Charlotte, North Carolina

Misstatements, including omissions, 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 generally accepted auditing standards, 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 purposes of expressing an opinion on the effectiveness of CleanAIRE North Carolina (d/b/a CleanAIRE NC)'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 CleanAIRE North Carolina (d/b/a CleanAIRE NC)'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Ford & Company, P.A.
July 18, 2022

CLEANAIRE NORTH CAROLINA**Statement of Financial Position****December 31, 2021, with prior year comparative totals**

	December 31,	
	2021	2020
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 98,987	\$ 416,819
Receivables:		
Pledges and grants	734,276	736,950
Sales tax refunds	734	315
Investments:		
Assets held in trust by third party	2,378,593	1,741,469
Prepaid expenses and other	7,900	5,853
<u>Total Current Assets</u>	<u>3,220,490</u>	<u>2,901,406</u>
Pledges and grants receivable	34,000	8,000
<u>TOTAL</u>	<u>\$ 3,254,490</u>	<u>\$ 2,909,406</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 6,831	\$ 8,600
Funds held for others	3,947	-
Accrued payroll	32,253	11,094
<u>Total Current Liabilities</u>	<u>43,031</u>	<u>19,694</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	37,999	393,549
Designated	2,378,593	1,741,469
<u>Total Net Assets Without Donor Restrictions</u>	<u>2,416,592</u>	<u>2,135,018</u>
With Donor Restrictions	794,867	754,694
<u>Total Net Assets</u>	<u>3,211,459</u>	<u>2,889,712</u>
<u>TOTAL</u>	<u>\$ 3,254,490</u>	<u>\$ 2,909,406</u>

CLEANAIRE NORTH CAROLINA

Statement of Activities

Year ended December 31, 2021, with prior year comparative totals

	Year Ended December 31, 2021			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Grants and contributions	\$ 217,488	\$ 807,629	\$ 1,025,117	\$ 1,072,056
Investment earnings, net	238,258	-	238,258	281,175
Net assets released from restrictions:				
Satisfaction of purpose restrictions	33,456	(33,456)	-	-
Satisfaction of time restrictions	734,000	(734,000)	-	-
<i>Total Support and Revenue</i>	<i>1,223,202</i>	<i>40,173</i>	<i>1,263,375</i>	<i>1,353,231</i>
<u>EXPENSES</u>				
Program services	724,983	-	724,983	630,285
Management and general	102,710	-	102,710	81,942
Fundraising	113,935	-	113,935	116,561
<i>Total Expenses</i>	<i>941,628</i>	<i>-</i>	<i>941,628</i>	<i>828,788</i>
<i>CHANGE IN NET ASSETS</i>	<i>281,574</i>	<i>40,173</i>	<i>321,747</i>	<i>524,443</i>
<i>NET ASSETS, BEGINNING</i>	<i>2,135,018</i>	<i>754,694</i>	<i>2,889,712</i>	<i>2,365,269</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 2,416,592</i>	<i>\$ 794,867</i>	<i>\$ 3,211,459</i>	<i>\$ 2,889,712</i>

CLEANAIRE NORTH CAROLINA

Statement of Functional Expenses

Year ended December 31, 2021, with prior year comparative totals

	Year Ended December 31, 2021				Prior Year
	Program Services	Management and General	Fundraising	TOTALS	Comparative Totals
<u>PERSONNEL</u>					
Salaries, wages and benefits	\$ 467,080	\$ 39,448	\$ 92,209	\$ 598,737	\$ 539,455
Payroll taxes	29,574	5,194	7,043	41,811	37,549
<i>Total</i>	<i>496,654</i>	<i>44,642</i>	<i>99,252</i>	<i>640,548</i>	<i>577,004</i>
<u>OTHER</u>					
Outreach and development	26,847	-	120	26,967	47,056
Professional services	84,160	13,025	204	97,389	18,478
Occupancy	27,571	3,090	4,634	35,295	40,368
Board and other meetings	329	1,064	33	1,426	4,068
Office supplies and expense	5,187	-	65	5,252	4,501
Computer and website	32,756	3,078	7,718	43,552	34,469
Dues and subscriptions	722	946	-	1,668	11,466
Insurance	3,965	2,349	1,229	7,543	6,857
Training and conferences	1,435	-	-	1,435	4,784
Marketing and rebranding	24,511	32,800	-	57,311	58,087
Travel	2,414	495	192	3,101	8,760
Printing and copier lease	2,056	144	-	2,200	2,253
Educational materials	10,230	1,002	60	11,292	1,365
Postage and miscellaneous	821	68	63	952	3,268
Depreciation	-	-	-	-	61
Telephone	5,325	7	365	5,697	5,943
<i>Total</i>	<i>228,329</i>	<i>58,068</i>	<i>14,683</i>	<i>301,080</i>	<i>251,784</i>
<u>TOTAL EXPENSES</u>	<u>\$ 724,983</u>	<u>\$ 102,710</u>	<u>\$ 113,935</u>	<u>\$ 941,628</u>	<u>\$ 828,788</u>

CLEANAIRE NORTH CAROLINA**Statement of Cash Flows****Year ended December 31, 2021, with prior year comparative totals**

	December 31,	
	2021	2020
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 321,747	\$ 524,443
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	-	61
Change in value of assets held in trust by third party	(252,654)	(278,495)
(Increase) decrease in operating assets:		
Receivables	(23,745)	(113,555)
Prepaid expenses and other	(2,047)	18,809
Increase (decrease) in operating liabilities:		
Accounts payable	(1,769)	(6,484)
Funds held for others	3,947	-
Accrued payroll	21,159	(212)
<u>Net Cash Flows from Operating Activities</u>	<u>66,638</u>	<u>144,567</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	(400,000)	(10,962)
Sales of investments	15,530	14,567
<u>Net Cash Flows from Investing Activities</u>	<u>(384,470)</u>	<u>3,605</u>
NET CHANGE IN CASH	(317,832)	148,172
CASH AND CASH EQUIVALENTS, BEGINNING	416,819	268,647
CASH AND CASH EQUIVALENTS, ENDING	\$ 98,987	\$ 416,819

CLEANAIRE NORTH CAROLINA

Notes to Financial Statements

December 31, 2021

NOTE 1 – NATURE OF ACTIVITIES

Organization and purpose

CleanAire North Carolina, d/b/a CleanAire NC (formerly 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 advocates for the health of all North Carolinians by pursuing equitable and collaborative solutions that address climate change and air pollution.

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 presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

- *Net assets without donor restrictions:* Net assets without donor restrictions are those currently available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its program or supporting services. Designated net assets represent funds designated by the Organization as an operating reserve. However, these funds have not been restricted by donors and are available for any purpose at the Organization's discretion.
- *Net assets with donor restrictions:* Net assets with donor restrictions are those which are stipulated by donors for specific purposes or programs, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled. Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization are also included as a component of net assets with donor restrictions. During the year, the Organization had no net assets that were required to be held in perpetuity.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted support received is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 in support without donor restrictions.

CLEANAIRE NORTH CAROLINA

Notes to Financial Statements

December 31, 2021

Donated services and goods

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 no donated goods or 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.

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. The Organization held no property and equipment at December 31, 2021.

Functional allocation of expenses

The Organization's activities are focused in three functional areas. Program services represent the primary focus of the Organization's activities. Supporting services are fundraising activities and general and administrative activities. The expenses that are allocated include personnel, which are allocated on the basis of estimates of time and effort of each employee. Occupancy expenses are also allocated based on payroll allocations. Educational materials are fully allocated to program services, while depreciation expense is fully allocated to management and general. All other expenses are either allocated through direct identification with a function, or are allocated based on similar percentages as total personnel expenses. The costs of providing the various programs and other activities are summarized in the accompanying financial statements.

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.

CLEANAIRE NORTH CAROLINA

Notes to Financial Statements

December 31, 2021

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 2020 financial statements, from which the summarized information was derived.

NOTE 3 – INVESTMENTS

Investments of \$2,378,593 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 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	\$ 1,741,469
Increase in value	252,654
Purchases	400,000
Sales	<u>(15,530)</u>
Balance, end of year	<u>\$ 2,378,593</u>

CLEANAIRE NORTH CAROLINA

Notes to Financial Statements

December 31, 2021

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable as of year-end are expected to be collected as follows:

Year Ended December 31:

2022	\$	734,276
2023		34,000
		<u>768,276</u>

No discount for present value is recorded due to immateriality. No allowance for doubtful receivables is recorded, based on management's assessment of the collectability of the receivables.

Pledges and grants receivable include \$700,000 from one donor, which was received after year-end.

NOTE 5 – LEASE COMMITMENTS

The Organization leases office space and equipment under non-cancelable operating leases. Lease expense under these leases totaled \$36,438 in the current year. Minimum future rental payments under these are as follows: \$16,345 in 2022.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with restrictions which are temporary in nature as of year-end consist of the following:

Time Restricted:		
Pledges receivable	\$	768,000
Purpose Restricted:		
Airkeeper		576
Advocacy		3,052
NC Clinicians for Climate Action		476
Climate Ambassadors Program		4,909
Environmental Justice		16,207
Wood Pellet Forum		1,647
		<u>794,867</u>

NOTE 7 – RETIREMENT PLAN

Effective January 1, 2021, the Organization maintains a defined contribution retirement plan for its employees qualifying under Section 403(b) of the Internal Revenue Code. There are no age or service requirements for employees to make contributions, but employees must have six months of service to be eligible for employer matching contributions. The plan provides for discretionary employer matching contributions. The Organization's contribution to this plan totaled \$20,012 for the year.

CLEANAIRE NORTH CAROLINA

Notes to Financial Statements

December 31, 2021

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$3,212,590 of financial assets available within one year of the balance sheet date to meet cash needs for expenditures, consisting of cash and cash equivalents of \$98,987, investments of \$2,378,593, and receivables of \$735,010. These receivables are expected to be collected within one year of year-end. Of these financial assets, \$26,867 are subject to donor restrictions that make them unavailable for general expenditure within one year of year-end. The Organization's Board of Directors has made an intentional decision to maintain an invested balance at FFTC of at least \$1 million to serve as an operating reserve fund.

NOTE 9 – CONCENTRATIONS OF RISK

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, 78% of support and revenue was received from one donor, and 91% of pledges and grants receivable at year-end was receivable from one donor.

Geographic area

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

NOTE 10 - COMMITMENTS

In November 2021, the Organization entered into a contract with a consulting firm to assist in the identification and hiring of a new executive director. The total cost of the contract is estimated to be \$23,750. After year-end, the Organization entered into two separate consulting agreements with a total cost of \$61,165.

NOTE 11 - UNCERTAINTIES

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on the Organization is unknown.

NOTE 12 – 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 subsequent events were identified, except for the new contracts discussed in Note 10.