

*CleanAIRE North Carolina
d/b/a CleanAIRE NC*

Financial Statements

Year Ended December 31, 2023

CLEANAIRE NORTH CAROLINA (d/b/a CleanAIRE NC)

Table of Contents

December 31, 2023

Page

Independent Auditors' Report	1-2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11



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) (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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, 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 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.

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.

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

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.
October 8, 2024

CLEANAIRE NORTH CAROLINA (d/b/a CleanAIRE NC)**Statement of Financial Position****December 31, 2023, with prior year comparative totals**

	December 31,	
	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 125,781	\$ 22,897
Receivables:		
Pledges and grants	66,010	984,427
Sales tax refunds	2,169	2,018
Investments:		
Assets held in trust by third party	2,044,876	1,789,125
Prepaid expenses and other	7,378	6,713
<u>Total Current Assets</u>	<u>2,246,214</u>	<u>2,805,180</u>
Pledges and grants receivable	50,000	-
<u>TOTAL</u>	<u>\$ 2,296,214</u>	<u>\$ 2,805,180</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 19,895	\$ 42,905
Funds held for others	1,406	2,469
Accrued payroll	18,703	36,388
<u>Total Current Liabilities</u>	<u>40,004</u>	<u>81,762</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	105,626	147,786
Designated	2,044,876	1,789,125
<u>Total Net Assets Without Donor Restrictions</u>	<u>2,150,502</u>	<u>1,936,911</u>
With Donor Restrictions	105,708	786,507
<u>Total Net Assets</u>	<u>2,256,210</u>	<u>2,723,418</u>
<u>TOTAL</u>	<u>\$ 2,296,214</u>	<u>\$ 2,805,180</u>

CLEANAIRE NORTH CAROLINA (d/b/a CleanAIRE NC)**Statement of Activities****Year ended December 31, 2023, with prior year comparative totals**

	Year Ended December 31, 2023			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Grants and contributions	\$ 511,981	\$ 105,000	\$ 616,981	\$ 1,173,814
Investment earnings (losses), net	266,718	-	266,718	(497,095)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	51,799	(51,799)	-	-
Satisfaction of time restrictions	734,000	(734,000)	-	-
<u>Total Support and Revenue</u>	<u>1,564,498</u>	<u>(680,799)</u>	<u>883,699</u>	<u>676,719</u>
<u>EXPENSES</u>				
Program services	1,008,099	-	1,008,099	885,442
Management and general	173,332	-	173,332	158,707
Fundraising	169,476	-	169,476	120,611
<u>Total Expenses</u>	<u>1,350,907</u>	<u>-</u>	<u>1,350,907</u>	<u>1,164,760</u>
CHANGE IN NET ASSETS	213,591	(680,799)	(467,208)	(488,041)
NET ASSETS, BEGINNING	1,936,911	786,507	2,723,418	3,211,459
NET ASSETS, ENDING	\$ 2,150,502	\$ 105,708	\$ 2,256,210	\$ 2,723,418

CLEANAIRE NORTH CAROLINA (d/b/a CleanAIRE NC)**Statement of Functional Expenses****Year ended December 31, 2023, with prior year comparative totals**

	Year Ended December 31, 2023				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>PERSONNEL</u>					
Salaries, wages and benefits	\$ 606,376	\$ 80,058	\$ 144,685	\$ 831,119	\$ 748,366
Payroll taxes	42,220	4,863	9,557	56,640	51,543
<i>Total</i>	<i>648,596</i>	<i>84,921</i>	<i>154,242</i>	<i>887,759</i>	<i>799,909</i>
<u>OTHER</u>					
Outreach and development	76,922	71	-	76,993	77,185
Professional services	131,339	55,993	4,554	191,886	115,742
Occupancy	35,200	3,963	3,800	42,963	34,180
Board and other meetings	2,231	4,906	52	7,189	2,514
Office supplies and expense	545	5,266	-	5,811	4,409
Computer and website	16,886	2,003	1,855	20,744	24,371
Dues and subscriptions	5,450	392	-	5,842	6,447
Insurance	5,626	2,910	703	9,239	7,250
Training and conferences	1,471	77	-	1,548	3,498
Marketing and rebranding	21,780	206	1,454	23,440	35,126
Travel	33,106	7,154	1,582	41,842	29,044
Printing and copier lease	1,855	318	222	2,395	3,085
Educational materials	18,232	-	-	18,232	13,933
Postage and miscellaneous	4,164	3,028	43	7,235	1,114
Telephone	4,696	2,124	969	7,789	6,953
<i>Total</i>	<i>359,503</i>	<i>88,411</i>	<i>15,234</i>	<i>463,148</i>	<i>364,851</i>
<i>TOTAL EXPENSES</i>	<i>\$ 1,008,099</i>	<i>\$ 173,332</i>	<i>\$ 169,476</i>	<i>\$ 1,350,907</i>	<i>\$ 1,164,760</i>

CLEANAIRE NORTH CAROLINA (d/b/a CleanAIRE NC)**Statement of Cash Flows****Year ended December 31, 2023, with prior year comparative totals**

	December 31,	
	2023	2022
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (467,208)	\$ (488,041)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in value of assets held in trust by third party	(269,103)	482,169
(Increase) decrease in operating assets:		
Receivables	868,266	(217,435)
Prepaid expenses and other	(665)	1,187
Increase (decrease) in operating liabilities:		
Accounts payable	(23,010)	36,074
Funds held for others	(1,063)	(1,478)
Accrued payroll	(17,685)	4,135
	<u>89,532</u>	<u>(183,389)</u>
	<i>Net Cash Flows from Operating Activities</i>	
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	-	(300,000)
Sales of investments	13,352	407,299
	<u>13,352</u>	<u>107,299</u>
	<i>Net Cash Flows from Investing Activities</i>	
NET CHANGE IN CASH	102,884	(76,090)
CASH AND CASH EQUIVALENTS, BEGINNING	22,897	98,987
CASH AND CASH EQUIVALENTS, ENDING	\$ 125,781	\$ 22,897

CLEANAIRE NORTH CAROLINA (d/b/a CleanAIRE NC)

Notes to Financial Statements

December 31, 2023

NOTE 1 – NATURE OF ACTIVITIES

Organization and purpose

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

Notes to Financial Statements

December 31, 2023

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 and cash in a credit union money market 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, 2023.

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 (d/b/a CleanAIRE NC)

Notes to Financial Statements

December 31, 2023

New accounting pronouncement

As required by ASU 2016-02, *Leases* (Topic 842), the Organization determines if an arrangement is or contains a lease at inception. Leases are included in the operating right of use (ROU) assets and operating lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its leases with a term of 12 months or less; rather they are reported as a lease expense on a straight-line basis over the lease term. The Organization has determined that its leases in place during the year were immaterial to present under the new standard.

Prior-year adjustment

Grants and contributions support was overstated by \$31,851 in the prior year due to the Organization receiving a payment under a reimbursement-based grant and recording the payment as income prior to incurring qualified expenditures. The Organization was required to return these funds early in the current year, then subsequently received payment after incurring qualified expenditures later in the current year. The beginning net assets in the accompanying financial statements have been restated to reflect this change.

Prior-year comparative totals

The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's 2022 financial statements, from which the summarized information was derived.

NOTE 3 – INVESTMENTS

Investments of \$2,044,876 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.

CLEANAIRE NORTH CAROLINA (d/b/a CleanAIRE NC)

Notes to Financial Statements

December 31, 2023

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	\$ 1,789,125
Increase in value	269,103
Sales	<u>(13,352)</u>
Balance, end of year	<u>\$ 2,044,876</u>

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable as of year-end are expected to be collected as follows: \$66,010 in 2024 and \$50,000 in 2025. No allowance for doubtful receivables is recorded, based on management's assessment of the collectability of the receivables. No discount on long-term pledges receivable is recorded because it is considered immaterial.

Pledges and grants receivable include \$63,083 from two donors, which were received shortly after year-end.

NOTE 5 – 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	\$ 100,000
Purpose Restricted:	
Environmental Justice	<u>5,708</u>
	<u>\$ 105,708</u>

NOTE 6 – RETIREMENT PLAN

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 \$13,286 for the year.

CLEANAIRE NORTH CAROLINA (d/b/a CleanAIRE NC)

Notes to Financial Statements

December 31, 2023

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$2,238,836 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 \$125,781, investments of \$2,044,876, and receivables of \$68,179. These receivables are expected to be collected within one year of year-end. Of these financial assets, \$55,708 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 8 – 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, 41% of grants and contributions was received from one donor, and 86% of pledges and grants receivable at year-end were 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 9 – SUBSEQUENT EVENTS

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