

CLEAN AIR COUNCIL

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2021 and 2020



JEBZAN & ABRAHAM, PC
Certified Public Accountants and Business Consultants

CLEAN AIR COUNCIL
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For the Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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The Board of Directors
Clean Air Council
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of Clean Air Council (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Clean Air Council as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Clean Air Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Clean Air Council'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 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 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 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 purpose of expressing an opinion on the effectiveness of Clean Air Council'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 Clean Air Council'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2022, on our consideration of Clean Air Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clean Air Council's internal control over financial reporting and compliance.

Jebran & Abraham, P.C.

New Britain, Pennsylvania

May 11, 2022

CLEAN AIR COUNCIL
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash	\$ 1,282,133	\$ 1,484,922
Contracts receivable	444,106	401,999
Grants and other receivables	1,033,470	90,977
Prepaid expenses	24,554	19,439
Total Current Assets	<u>2,784,263</u>	<u>1,997,337</u>
Property and Equipment		
Office equipment	31,766	31,766
Less accumulated depreciation	<u>(31,766)</u>	<u>(31,766)</u>
Property and Equipment, Net	<u>-</u>	<u>-</u>
Other Assets		
Investments, at Fair Market Value	164,230	110,068
Deposits	<u>5,003</u>	<u>5,003</u>
Total Other Assets	<u>169,233</u>	<u>115,071</u>
 Total Assets	 <u>\$ 2,953,496</u>	 <u>\$ 2,112,408</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable	\$ 37,866	\$ 18,792
Salaries and payroll taxes payable	73,810	68,442
SBA PPP Loan	93,539	293,711
Total Current Liabilities	<u>205,215</u>	<u>380,945</u>
Net Assets		
Net assets without restriction	795,887	378,769
Net assets with restriction	<u>1,952,394</u>	<u>1,352,694</u>
Total Net Assets	<u>2,748,281</u>	<u>1,731,463</u>
Total Liabilities and Net Assets	<u>\$ 2,953,496</u>	<u>\$ 2,112,408</u>

The accompanying notes are an integral part of these financial statements.

CLEAN AIR COUNCIL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contract revenue	\$ 587,455	\$ -	\$ 587,455
Contributions	980,269	1,673,400	2,653,669
Memberships	141,778	-	141,778
Noncash contributions	12,940	-	12,940
Miscellaneous	350	-	350
Interest and Dividends	3,677	-	3,677
Unrealized gain on marketable securities	40,416	-	40,416
Net assets released from restrictions:			
Satisfaction of program requirements	1,073,700	(1,073,700)	-
Total Revenue and Support	<u>2,840,585</u>	<u>599,700</u>	<u>3,440,285</u>
Expenses			
Program services	1,995,461	-	1,995,461
Supporting	428,006	-	428,006
Total Expenses	<u>2,423,467</u>	<u>-</u>	<u>2,423,467</u>
Changes in Net Assets	417,118	599,700	1,016,818
Net Assets, Beginning of Year	<u>378,769</u>	<u>1,352,694</u>	<u>1,731,463</u>
Net Assets, End of Year	<u><u>\$ 795,887</u></u>	<u><u>\$ 1,952,394</u></u>	<u><u>\$ 2,748,281</u></u>

The accompanying notes are an integral part of these financial statements.

CLEAN AIR COUNCIL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contract revenue	737,965	\$ -	\$ 737,965
Contributions	455,975	741,328	1,197,303
Contributions - under Fiscal Sponsorship	72,455	-	72,455
Memberships	120,325	-	120,325
Noncash contributions	9,257	-	9,257
Miscellaneous	14,689	-	14,689
Interest and Dividends	8,141	-	8,141
Unrealized gain on marketable securities	508	-	508
Net assets released from restrictions -			
Satisfaction of program requirements	1,117,141	(1,117,141)	-
Total Revenue and Support	<u>2,536,456</u>	<u>(375,813)</u>	<u>2,160,643</u>
Expenses			
Program services	2,027,926	-	2,027,926
Supporting	368,810	-	368,810
Total Expenses	<u>2,396,736</u>	<u>-</u>	<u>2,396,736</u>
Changes in Net Assets	139,720	(375,813)	(236,093)
Net Assets, Beginning of Year	<u>239,049</u>	<u>1,728,507</u>	<u>1,967,556</u>
Net Assets, End of Year	<u>\$ 378,769</u>	<u>\$ 1,352,694</u>	<u>\$ 1,731,463</u>

The accompanying notes are an integral part of these financial statements.

CLEAN AIR COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	PROGRAM EXPENSES					SUPPORTING EXPENSES				
	Outdoor Air Quality Education	Energy Education	Public Awareness Education	Global Warming Education	Other Education	Total Program Expenses	General & Administrative	Fundraising	Total Supporting Expenses	Total Expenses
Consulting fees	\$ 85,034	\$ 133,313	\$ 7,700	\$ 6,594	\$ 1,859	\$ 234,500	\$ 3,269	\$ 27,938	\$ 31,207	\$ 265,707
Employee benefits	69,383	24,452	3,971	23,794	6,708	128,309	11,795	16,738	28,534	156,842
Equipment rental	3,101	1,093	-	1,064	300	5,558	527	748	1,275	6,833
Insurance	4,706	1,658	-	1,614	455	8,433	800	1,135	1,935	10,368
Professional fees	11,856	2,527	-	2,459	1,424	18,267	5,034	-	5,034	23,301
Meals and lodging	-	-	-	-	-	-	3,991	-	3,991	3,991
Office	32,515	20,577	5,552	10,666	3,007	72,316	9,467	8,291	17,757	90,074
Office rent	42,663	15,036	6,887	14,631	4,125	83,342	7,253	10,292	17,545	100,887
Payroll taxes	47,667	16,799	1,385	16,347	4,609	86,808	8,104	11,500	19,603	106,411
Postage and mailing	6,213	1,157	6	1,035	292	8,703	513	2,720	3,234	11,936
Printing and design	3,490	1,240	200	512	4,144	9,586	254	9,134	9,388	18,974
Promotion	14,255	10,458	23,586	3,486	9,733	61,519	1,728	2,453	4,181	65,700
Salaries	683,311	240,816	39,543	234,333	66,064	1,264,067	116,165	164,846	281,011	1,545,078
Telephone	4,410	1,792	-	1,512	426	8,140	750	1,064	1,813	9,953
Travel	661	-	45	-	89	795	1,498	-	1,498	2,294
Uncollectable bad debts	1,852	-	1,500	1,766	-	5,118	-	-	-	5,118
Sub-Total	1,011,118	470,919	90,375	319,813	103,236	1,995,461	171,147	256,859	428,006	2,423,467
Depreciation	-	-	-	-	-	-	-	-	-	-
Total	\$ 1,011,118	\$ 470,919	\$ 90,375	\$ 319,813	\$ 103,236	\$ 1,995,461	\$ 171,147	\$ 256,859	\$ 428,006	\$ 2,423,467

The accompanying notes are an integral part of these financial statements.

CLEAN AIR COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	PROGRAM EXPENSES					SUPPORTING EXPENSES				
	Outdoor Air Quality Education	Transportation Education	Public Awareness Events	Global Warming Education	Other Education	Total Program Expenses	General & Administrative	Fundraising	Total Supporting Expenses	Total Expenses
Consulting fees	\$ 41,796	\$ 172,206	\$ 18,091	\$ -	\$ 8,480	\$ 240,573	\$ 34,009	\$ 3,000	\$ 37,009	\$ 277,582
Employee benefits	72,824	26,428	5,695	20,729	7,994	133,669	15,176	6,741	21,917	155,586
Equipment rental	4,898	1,848	20,244	1,394	538	28,921	1,021	453	1,474	30,395
Fiscal Sponsorship grants paid	-	-	-	-	67,255	67,255	-	-	-	67,255
Insurance	5,432	1,971	1,043	1,546	596	10,588	1,132	503	1,635	12,223
Professional fees	764	-	-	-	-	764	2,110	-	2,110	2,874
Meals and lodging	5,642	234	850	-	-	6,726	6,395	87	6,482	13,208
Office	34,057	16,638	15,206	5,904	2,185	73,990	45,773	1,843	47,616	121,605
Office rent	44,755	16,242	6,523	12,739	4,913	85,172	9,327	4,143	13,470	98,643
Payroll taxes	47,290	17,162	1,784	13,461	5,191	84,887	9,855	4,378	14,233	99,120
Postage and mailing	5,830	2,137	42	1,576	608	10,192	1,154	512	1,666	11,858
Printing and design	7,343	3,082	1,244	1,943	749	14,361	1,422	632	2,054	16,415
Promotion	2,163	2,490	31,477	-	14,950	51,079	10,515	-	10,515	61,595
Salaries	652,248	236,707	52,014	185,656	71,596	1,198,221	135,926	60,379	196,305	1,394,526
Telephone	5,140	2,103	-	1,463	564	9,269	1,071	476	1,547	10,816
Travel	10,166	817	556	63	655	12,257	10,777	-	10,777	23,033
Sub-total	940,347	500,065	154,769	246,473	186,272	2,027,926	285,663	83,147	368,810	2,396,736
Depreciation	-	-	-	-	-	-	-	-	-	-
	\$ 940,347	\$ 500,065	\$ 154,769	\$ 246,473	\$ 186,272	\$ 2,027,926	\$ 285,663	\$ 83,147	\$ 368,810	\$ 2,396,736

The accompanying notes are an integral part of these financial statements.

CLEAN AIR COUNCIL
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Schedule of Reconciling Increases in		
Net Assets to Net Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ 1,016,818	\$ (236,093)
Noncash expenses, revenues, losses and gains included in the increase (decrease) in net assets		
Unrealized gain on investments	(40,416)	(508)
Forgiveness of SBA PPP	(200,172)	-
Noncash contributions	(12,940)	(9,257)
Adjustments to reconcile increase (decrease) to net cash flows from operating activities		
(Increase) decrease in:		
Contracts receivable	(42,107)	358,092
Grant and other receivables	(942,493)	560,491
Prepaid expenses	(5,115)	991
Accounts payable	19,074	(75,925)
Salaries and payroll taxes payable	5,368	582
Net cash provided (used) by operating activities	<u>(201,983)</u>	<u>598,373</u>
Cash Flow from Investing Activities:		
Purchase of investments	<u>(806)</u>	<u>(3,984)</u>
Net cash used in investing activities	<u>(806)</u>	<u>(3,984)</u>
Cash Flow from Financing Activities:		
Proceeds from SBA PPP	<u>-</u>	<u>293,711</u>
Net cash provided in financing activities	<u>-</u>	<u>293,711</u>
Net Increase (Decrease) in Cash	(202,789)	888,100
Cash, Beginning of the Year	<u>1,484,922</u>	<u>596,822</u>
Cash, End of the Year	<u><u>\$ 1,282,133</u></u>	<u><u>\$ 1,484,922</u></u>

The accompanying notes are an integral part of these financial statements.

CLEAN AIR COUNCIL NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

Clean Air Council (the "Organization") formerly known as The Delaware Valley Citizens' Council for Clean Air, Inc., is a non-profit organization, which was established under the laws of the Commonwealth of Pennsylvania in August 1967. The Organization was formed to inform and educate the public concerning the health, economic and aesthetic effects of air pollution and the technological and legal tools available for its control. The Clean Air Council promotes understanding of the role of government (national, state and local) in the control of air pollution, and to stimulate and support voluntary and official efforts to clean the air. The Organization has offices in Philadelphia and Pittsburgh, Pennsylvania as well as Wilmington, Delaware.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, revenues are recognized when earned and expenses are recorded when incurred.

The Organization follows the recommendations of the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 958, Not-for-Profit Organizations, formerly Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without restriction and net assets with restriction.

Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Restriction – represent net assets that are not subject to statutory or donor-imposed stipulations.

Net Assets with Restriction– represent net assets subject to statutory or donor-imposed stipulations that will be met either by actions of the Organization or the passage of time, as well as permanently restricted asset. The Organization currently does not have permanently restricted assets.

Cash and Cash Equivalents

Cash equivalents include cash on hand and in banks. The Organization also considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The Organization carries investments in marketable securities at their readily determinable fair market values at year end in the statement of financial position. Dividend and interest are recognized as income when earned. Realized gains and losses on investments are recognized upon the disposition of the securities. Unrealized gains and losses are included in the in the accompanying statements of activities and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CLEAN AIR COUNCIL NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash, short-term receivables and payables, and short-term note payable. The carrying value for all such instruments, considering the terms, approximates fair value at June 30, 2021 and 2020.

Property and equipment - contributed

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Grants and Contributions

Contributions are generally available for unrestricted use in the related year received unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give, due in the next year, are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reflected as long-term promise to give and are recorded at their net realizable value.

Grants and other contributions of cash and other assets are reported as net assets with restriction support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net asset with restriction are reclassified as net assets without restriction and reported in the statement of activities as net assets released from restriction.

Noncash Contributions and Volunteer Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that require specialized skills and would typically need to be purchased if not provided by donations, are recorded at fair values in the period received.

During the years ended June 30, 2021 and 2020, many individuals volunteered their time and performed a variety of tasks that assisted the Organization. Either these services do not meet the criteria for recognition as volunteer services or the value of volunteer services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Impairment of Long-Lived Assets

The Organization assesses whether there has been impairment in the value of its long-lived assets whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the amount of impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. The Organization believed no impairment in the net carrying values of the investments in property and equipment has occurred for the period presented.

CLEAN AIR COUNCIL NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a nonprofit organization and is classified as exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization is exempt from Pennsylvania state income taxes.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited by those costs.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification deficiencies in the information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

3. Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment and amortization of leasehold improvements are on the straight-line and accelerated methods. Depreciation has been based on the estimated useful lives of the property and equipment.

Expenditures for maintenance and repairs that are necessary to maintain property and equipment in efficient operating condition are charged to operations. Expenditures in excess of \$5,000 which increase the useful lives of the assets are capitalized.

4. Fair Value Measurements

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for instruments that are identified or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

CLEAN AIR COUNCIL NOTES TO FINANCIAL STATEMENTS

4. Fair Value Measurements (continued)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at June 30, 2021 or June 30, 2020.

Corporate stocks and commingled funds (equities and fixed income) – Valued at quoted market prices, which for commingled funds represents the net asset value of shares held by Clean Air Council at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Commitments

The Organization leases its Philadelphia office space with monthly rental payments of \$5,224. There are increases periodically over the lease term, which expires on April 30, 2025. The Organization also leases an extension of its Philadelphia office space at the cost of \$1,495 a month, which expires on May 31, 2021, this was extended through November 2021. It also leases office space in Pittsburgh for \$706 a month and renews this lease annually. The Organization also leases space in Wilmington, Delaware for an annual fee. The Organization decides whether to renew for another year at the end of the term for these spaces. Wilmington's space cost \$2,053 for 2021 and \$2,053 for all of 2020. Lastly, the Organization maintains additional storage onsite for an annual fee of \$600 and offsite storage for a monthly fee of \$720, which is renewed month-to-month.

Office and storage rent expense for the years ended June 30, 2021 and 2020 was \$100,887 and \$98,641, respectively.

The following is a schedule of the future minimum lease payments under the leases:

Year Ending June 30, 2021	
2022	70,475
2023	64,884
2024	66,836
2025 and thereafter	57,080
	<u>\$ 259,275</u>

6. Non-Cash Contributions

The Organization received zero and \$6,430 worth of promotional, printing and other expense for the Organization's annual Run for Clean Air during the years ended June 30, 2021 and 2020. The Organization received stock donations, which are recorded at market value. For the year ended June 30, 2021, this amount was \$12,940.

**CLEAN AIR COUNCIL
NOTES TO FINANCIAL STATEMENTS**

7. Concentration of Credit Risk

As of June 30, 2021 and 2020, the Organization had deposits in financial institutions in excess of the amount insured by agencies of the federal government. The total excess amounted to \$509,815 and \$975,060 for the years end June 30, 2021 and 2020. The Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash.

8. Net Assets with Restriction

Net assets with restrictions are available for the following purposes:

	<u>2021</u>	<u>0</u>
Outdoor Air Quality Education	\$ 1,120,729	\$ 1,013,229
Transportation Education	802,665	339,465
Other Education	<u>29,000</u>	<u>-</u>
Total	<u>\$ 1,952,394</u>	<u>\$ 1,352,694</u>

9. Contract Revenue

The Organization received awards and contracts under the following programs for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>0</u>
Federal Awards:		
US Environmental Protection Agency	\$ -	\$ 18,400
US Department of Transportation	76,230	30,964
Pennsylvania Department of Transportation	<u>123,839</u>	<u>133,004</u>
Total Federal Awards	200,069	182,368
Non-Federal Contracts	<u>387,386</u>	<u>555,597</u>
Total Contract Revenue	<u>\$ 587,455</u>	<u>\$ 737,965</u>

10. Profit Sharing Plan

The Organization maintains a 401(K) plan that covers all eligible employees. Employer contributions are discretionary and determined annually by management. During the years ended June 30, 2021 and 2020, the Organization provided matching contributions of up to 2% of each employee's contributions towards their 401(K) plans. For the years ended June 30, 2021 and 2020, the amounts were \$21,021 and \$20,067, respectively.

CLEAN AIR COUNCIL NOTES TO FINANCIAL STATEMENTS

11. Liquidity and Availability of Financial Assets

The Organization's financial assets available for general expenditure within one year of the balance sheet date are as follows:

Liquidity and Availability of Financial Assets

Cash and cash equivalents	\$ 1,282,133
Investments	164,230
Deposits	<u>5,003</u>
Total financial assets	<u><u>\$ 1,451,366</u></u>

The Organization's liquidity management includes a policy of structuring its financial assets to be available to meet its grant-making and general expenditures. Cash and cash equivalents and investments are the primary liquid resources used by the Organization to meet these obligations.

12. Note Payable – SBA PPP

The Company applied for and received a Paycheck Protection Program ("PPP") loan under a new federal program designed to support small businesses during the pandemic. The PPP loan program was part of The CARES Act, which was signed into law on March 27, 2020 and is being implemented by the SBA with cooperation from private banks. PPP loans may be fully or partially forgiven by application to the SBA if proceeds are expended based on federal guidelines. Management applied for the PPP loan to fund payroll and other allowable costs while the Company responded to government restrictions on business operations and anticipated reduced revenues from the economic downturn associated with the pandemic. A loan in the amount of \$293,711 was received and deposited May 2020. Management applied for and was granted forgiveness in the amount of \$293,711. The amount of \$200,711 is included on the Statement of Activities and Changes Fund Balances, the amount of \$93,539 is included on the Statement of Financial Position. The loan was allocated to the period of the expenses.

13. COVID-19

On March 11, 2020, the World Health Organization declared the new strain of the coronavirus (COVID-19) a global pandemic. The Organization was impacted financially by the global COVID-19 pandemic during this fiscal year. The 2020 Run for Clean Air became a virtual event and lost sponsorship and registration fees due to lower attendance. Some of the work the Council staff does for its governmental contracts were limited, since in person meetings and interactions were no longer possible. This too resulted in a reduction in revenue, because the Council could not complete all the work it had agreed to do. Thankfully, the Organization has continued to operate at full capacity, because of the PPP loan it received. There have been no staff layoffs and none are anticipated. The Organization's staff has adjusted to working remotely, since we issued a work from home policy starting March 16, 2020. The Council believes it is in a good financial position now and for the foreseeable future despite the pandemic.

14. Date of Managements Review

In preparing the financial statements, the Organization has evaluated the events and transactions for potential recognition or disclosure through May 11, 2022, the date that the financial statements were available to be issued.

SUPPLEMENTAL
INFORMATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Board of Directors
Clean Air Council
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clean Air Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May XX, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clean Air Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clean Air Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clean Air Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Jelbran & Abraham, P.C.

New Britain, Pennsylvania

May 11, 2022