

Clean Air Task Force, Inc.

Financial Statements

For the Years Ended December 31, 2018 and 2017

Clean Air Task Force, Inc.
Financial Statements
December 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Trustees
of Clean Air Task Force, Inc.

We have audited the accompanying financial statements of Clean Air Task Force, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

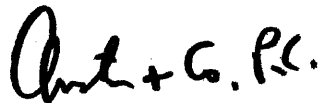
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clean Air Task Force, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* and ASU 2016-02, *Leases*. As a result, the standards were retroactively applied to the financial statements for the fiscal year ending December 31, 2017. Our opinion is not modified with respect to these matters.



Anstiss & Co., P.C.
Lowell, MA
November 11, 2019

Clean Air Task Force, Inc.
Statements of Financial Position
December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash | \$ 1,728,127 | \$ 1,836,466 |
| Grants receivable, net | 1,149,965 | 2,961,348 |
| Deposits and other assets | 89,805 | 82,668 |
| Property and equipment, net | 45,524 | 41,954 |
| Operating lease asset | 311,945 | 371,690 |
| | <hr/> | <hr/> |
| Total assets | <u>\$ 3,325,366</u> | <u>\$ 5,294,126</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 131,976 | \$ 343,523 |
| Accrued expenses | 84,077 | 83,870 |
| Grants payable | 150,000 | - |
| Deferred rent | 5,483 | - |
| Operating lease liability | 311,945 | 371,690 |
| | <hr/> | <hr/> |
| Total liabilities | 683,481 | 799,083 |
| Net Assets | | |
| Without donor restrictions | 521,846 | 462,734 |
| With donor restrictions | 2,120,039 | 4,032,309 |
| | <hr/> | <hr/> |
| Total net assets | 2,641,885 | 4,495,043 |
| | <hr/> | <hr/> |
| Total liabilities and net assets | <u>\$ 3,325,366</u> | <u>\$ 5,294,126</u> |

See accompanying notes to these financial statements.

Clean Air Task Force, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| Revenues | | | |
| Donations/grants | \$ 1,517,744 | \$ 2,759,367 | \$ 4,277,111 |
| Settlement income | 27,380 | - | 27,380 |
| Other income | 3,267 | - | 3,267 |
| Interest income | 450 | - | 450 |
| Net assets released from restrictions | 4,671,637 | (4,671,637) | - |
| Total revenue | <u>6,220,478</u> | <u>(1,912,270)</u> | <u>4,308,208</u> |
| Expenses | | | |
| Programs | 5,206,155 | - | 5,206,155 |
| General and administrative | 819,491 | - | 819,491 |
| Fundraising | 135,720 | - | 135,720 |
| Total expenses | <u>6,161,366</u> | <u>-</u> | <u>6,161,366</u> |
| Change in net assets | 59,112 | (1,912,270) | (1,853,158) |
| Net assets at beginning of year | <u>462,734</u> | <u>4,032,309</u> | <u>4,495,043</u> |
| Net assets at end of year | <u>\$ 521,846</u> | <u>\$ 2,120,039</u> | <u>\$ 2,641,885</u> |

See accompanying notes to these financial statements.

Clean Air Task Force, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| Revenues | | | |
| Donations/grants | \$ 1,381,595 | \$ 6,215,921 | \$ 7,597,516 |
| Other income | 7,940 | - | 7,940 |
| Interest income | 480 | - | 480 |
| Net assets released from restrictions | 4,214,830 | (4,214,830) | - |
| Total revenue | <u>5,604,845</u> | <u>2,001,091</u> | <u>7,605,936</u> |
| Expenses | | | |
| Programs | 4,474,063 | - | 4,474,063 |
| General and administrative | 795,699 | - | 795,699 |
| Fundraising | 98,925 | - | 98,925 |
| Total expenses | <u>5,368,687</u> | <u>-</u> | <u>5,368,687</u> |
| Change in net assets | 236,158 | 2,001,091 | 2,237,249 |
| Net assets at beginning of year | <u>226,576</u> | <u>2,031,218</u> | <u>2,257,794</u> |
| Net assets at end of year | <u>\$ 462,734</u> | <u>\$ 4,032,309</u> | <u>\$ 4,495,043</u> |

See accompanying notes to these financial statements.

Clean Air Task Force, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

| | Power Plants | Adv Energy Systems and Nuclear | Decarbonization Fossil Energy | Other | Total Programs | Fundraising | Management and General | Total |
|---------------------------|-------------------|--------------------------------------|----------------------------------|-------------------|---------------------|-------------------|---------------------------|---------------------|
| Salaries | \$ 422,756 | \$ 1,177,346 | \$ 500,116 | \$ 223,788 | \$ 2,324,006 | \$ 90,978 | \$ 206,416 | \$ 2,621,400 |
| Employee benefits | 73,952 | 205,892 | 87,482 | 39,148 | 406,474 | 16,050 | 36,026 | 458,550 |
| Payroll taxes | 31,655 | 88,131 | 37,446 | 16,757 | 173,989 | 6,870 | 15,421 | 196,280 |
| Total | 528,363 | 1,471,369 | 625,044 | 279,693 | 2,904,469 | 113,898 | 257,863 | 3,276,230 |
| Project consultants | 198,824 | 901,048 | 188,568 | 204,061 | 1,492,501 | 5,663 | 68,397 | 1,566,561 |
| Travel | 26,182 | 175,201 | 90,496 | 4,969 | 296,848 | 8,221 | 58,692 | 363,761 |
| Management consultants | - | 143,765 | 103,225 | - | 246,990 | - | 153,872 | 400,862 |
| Grants and distributions | - | 192,300 | - | - | 192,300 | - | - | 192,300 |
| Occupancy | - | 1,975 | - | - | 1,975 | - | 148,612 | 150,587 |
| Other expenses | 1,918 | 21,072 | 4,501 | 400 | 27,891 | - | 24,126 | 52,017 |
| Printing and publications | 305 | 4,113 | 743 | 30,065 | 35,226 | 7,906 | 17,211 | 60,343 |
| Telephone, fax, internet | 164 | 420 | 718 | 922 | 2,224 | - | 45,264 | 47,488 |
| Repairs and maintenance | 51 | 1,744 | 85 | - | 1,880 | - | 18,214 | 20,094 |
| Supplies | 1,165 | 784 | 502 | 857 | 3,308 | 32 | 5,828 | 9,168 |
| Depreciation | - | - | - | - | - | - | 18,447 | 18,447 |
| Postage and shipping | 34 | 369 | 140 | - | 543 | - | 2,965 | 3,508 |
| Total expenses | \$ 757,006 | \$ 2,914,160 | \$ 1,014,022 | \$ 520,967 | \$ 5,206,155 | \$ 135,720 | \$ 819,491 | \$ 6,161,366 |

See accompanying notes to these financial statements.

Clean Air Task Force, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

| | Power Plants | Adv Energy Systems and Nuclear | Decarbonization Fossil Energy | Other | Total Programs | Fundraising | Management and General | Total |
|---------------------------|--------------|--------------------------------|-------------------------------|------------|----------------|-------------|------------------------|--------------|
| Salaries | \$ 436,115 | \$ 935,114 | \$ 490,551 | \$ 234,934 | \$ 2,096,714 | \$ 76,749 | \$ 207,726 | \$ 2,381,189 |
| Employee benefits | 76,093 | 163,159 | 85,591 | 40,991 | 365,834 | 13,391 | 36,155 | 415,380 |
| Payroll taxes | 33,406 | 71,630 | 37,576 | 17,996 | 160,608 | 5,879 | 16,003 | 182,490 |
| Total | 545,614 | 1,169,903 | 613,718 | 293,921 | 2,623,156 | 96,019 | 259,884 | 2,979,059 |
| Project consultants | 126,268 | 712,115 | 61,250 | 32,435 | 932,068 | - | 84,133 | 1,016,201 |
| Management consultants | - | 135,898 | 112,035 | - | 247,933 | - | 135,944 | 383,877 |
| Travel | 17,354 | 145,715 | 69,059 | 11,786 | 243,914 | - | 57,312 | 301,226 |
| Grants and distributions | - | 340,000 | - | 8,500 | 348,500 | - | - | 348,500 |
| Occupancy | - | - | 2,877 | 5,100 | 7,977 | - | 126,794 | 134,771 |
| Printing and publications | 152 | 8,330 | 608 | 29,614 | 38,704 | 2,906 | 13,436 | 55,046 |
| Other expenses | 1,121 | 11,043 | 7,359 | 1,022 | 20,545 | - | 54,078 | 74,623 |
| Telephone, fax, internet | 101 | 1,031 | 661 | 2,176 | 3,969 | - | 32,142 | 36,111 |
| Supplies | 358 | 840 | 338 | 911 | 2,447 | - | 5,564 | 8,011 |
| Repairs and maintenance | 446 | 363 | 93 | 3,714 | 4,616 | - | 16,574 | 21,190 |
| Depreciation | - | - | - | - | - | - | 6,930 | 6,930 |
| Postage and shipping | 160 | 58 | 16 | - | 234 | - | 2,908 | 3,142 |
| Total expenses | \$ 691,574 | \$ 2,525,296 | \$ 868,014 | \$ 389,179 | \$ 4,474,063 | \$ 98,925 | \$ 795,699 | \$ 5,368,687 |

See accompanying notes to these financial statements.

Clean Air Task Force, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (1,853,158) | \$ 2,237,249 |
| Adjustments to reconcile change in net assets to net cash used for operating activities: | | |
| Depreciation | 18,447 | 6,930 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in grants receivable | 1,811,383 | (2,601,869) |
| Increase in deposits and other assets | (7,137) | (62,564) |
| Decrease in settlement payable | - | (137,955) |
| (Decrease) increase in accounts payable and accrued expenses | (211,340) | 134,936 |
| Increase in grants payable | 150,000 | - |
| Increase in deferred rent liability | 5,483 | - |
| Net cash used for operating activities | <u>(86,322)</u> | <u>(423,273)</u> |
| Cash flows from investing activities: | | |
| Purchase of equipment | <u>(22,017)</u> | <u>(42,523)</u> |
| Net cash used for investing activities | <u>(22,017)</u> | <u>(42,523)</u> |
| Net decrease in cash | (108,339) | (465,796) |
| Cash at beginning of year | <u>1,836,466</u> | <u>2,302,262</u> |
| Cash at end of year | <u><u>\$ 1,728,127</u></u> | <u><u>\$ 1,836,466</u></u> |
| Supplemental Data: | | |
| Interest paid | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| Taxes paid | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| In-kind contributions | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

Pursuant to the adoption of ASU 2016.02 "Leases", the Organization recorded a non-cash asset and a corresponding liability in the amount of \$311,945 and \$371,690 as of December 31, 2018 and 2017, respectively, representing the net present value of the future required payments on an operating lease to occupy office space (Notes 2 and 8).

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 - Nature of Operations

Clean Air Task Force, Inc. (the Organization) was incorporated on April 13, 2000 as a not-for-profit corporation. The stated purpose of the organization is to address air pollution issues through research, education/outreach, advocacy, and advocacy network support.

Note 2 - Summary of Significant Accounting Policies

The following is a summary of significant accounting policies applied by the Organization in the preparation of the accompanying financial statements.

Basis of Presentation

The accompanying 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 the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time the liabilities are incurred. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are classified as without donor restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time, are classified as net assets with donor restrictions. When a restriction expires, 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. At December 31, 2018 and 2017 the Organization had net assets with donor restrictions of \$2,120,039 and \$4,032,309, respectively.

Uncertain Tax Positions

The Organization, incorporated under Chapter 180 of the Massachusetts General Laws as a tax-exempt entity, has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3), and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Organization is required by ASC 740-10, "*Income Taxes*", to evaluate and disclose tax positions that could have an effect on the Organization's financial statements. The Organization reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Substantially all the Organization's income, expenditures and activities relate to its exempt purpose, therefore, management has determined that the Organization is not subject to unrelated business income taxes and will continue to qualify as a tax-exempt not-for-profit entity.

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost which approximates market value.

The Organization maintains its cash in bank deposit accounts which are insured up to \$250,000 under the Federal Deposit Insurance Commission's ("FDIC") general deposit insurance rules. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant financial risk on cash.

Property and Equipment

Property and equipment, consisting of office furniture and equipment, are recorded at cost. Donated property and equipment are recorded at estimated fair market value at the time of donation. Expenditures for repairs and maintenance are charged to expense as incurred.

When assets are retired, or disposed of, the assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is provided using the straight-line method over the estimated useful life of the assets as follows:

| <u>Description</u> | <u>Years</u> |
|-------------------------------|--------------|
| Leasehold Improvements | 5 |
| Computer and office equipment | 3-5 |

Revenue Recognition

The Organization reports gifts as unrestricted support if they are received without donor stipulations that would limit the use of the donated assets. They are classified as increases in net assets with donor restrictions if the donor imposes restrictions on their use, including those for which payment is not due until future periods. Upon the satisfaction of the usage or time restriction, the net assets are reclassified as unrestricted support.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

The Organization's contributions come primarily from private foundations and corporations.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement of functional expenses is required to present the natural classification detail of expenses by function allocated on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program and support services are allocated directly. Based on management's estimates, certain costs have been allocated among major classes of program services and supporting activities. Salaries and wages, benefits, payroll taxes, and certain other expenses are allocated based on estimates of time and effort. Other expenses that are common to several functions are allocated as appropriate.

Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The carrying amounts of these financial instruments approximate their fair value. The carrying amounts of cash, accounts receivable and accounts payable approximate fair value because of the short-term nature of these items.

The Organization places its temporary cash investments with creditworthy, high quality financial institutions. At times, such balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

87% and 68% of grant revenue was received from eight separate private foundations for the years ended December 31, 2018 and 2017, respectively.

Adoption of Recent Accounting Pronouncements

During 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities (Topic 958): "Presentation of Financial Statements for Not-for-Profit Entities."* This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts as net assets without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. As a result of the adoption of this standard, during 2018, certain amounts from the prior year financial statements were reclassified to conform with current year presentation.

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Adoption of Recent Accounting Pronouncements (Continued)

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

| <u>Net Asset Classifications</u> | <u>ASU 2016-14 Classifications</u> | | |
|----------------------------------|---|------------------------------------|-----------------------------|
| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total net assets</u> |
| As previously presented: | | | |
| Unrestricted | \$ 462,734 | \$ - | \$ 462,734 |
| Temporarily restricted | - | 4,032,309 | 4,032,309 |
| Total net assets as reclassified | <u>\$ 462,734</u> | <u>\$ 4,032,309</u> | <u>\$ 4,495,043</u> |

In February 2016, the FASB issued ASU 2016-02, “Leases,” which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases. The Organization has exercised the option under ASU 2016-2, to adopt a policy of expensing payments on operating leases with lease terms of twelve months or less. Under this standard, leases will be classified as either finance or operating, with classification affecting the recognition of expenses in the statement of activities.

The Organization early adopted this standard for the fiscal year ending December 31, 2018, as the Organization entered into a new operating lease for office space during that year. As a result of the adoption of this standard, during 2018, certain amounts from the prior year financial statements were reclassified to conform with current year presentation.

Accounting Updates

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, “Revenue from Contracts with Customers,” amending FASB Accounting Standards Codification (ASC) topic 606. This ASU affects any entity that enters into contracts with customers to transfer goods or services and is intended to enhance the comparability of revenue recognition practices across entities. The new standard requires entities to recognize revenue when the entity has satisfied its performance obligations under contracts with customers in the amount the entity expects to be entitled to in exchange for the goods or services provided. For non-profit organizations with no public debt, this ASU takes effect for annual periods beginning after December 15, 2018. Early adoption is permitted.

In June 2018, the FASB issued ASU 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,” amending ASC 958-605. The new ASU clarifies the difference between an exchange transaction and a contribution and further defines when a contribution is considered conditional or unconditional. This will allow non-profit entities to identify when and how revenue should be recognized. For non-profit organizations without public debt, this ASU is effective for financial statements issued for annual periods beginning after December 15, 2018.

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounting Updates (Continued)

The Organization is currently evaluating the effect that these accounting pronouncements will have on the financial statements. There were no other accounting standards recently issued that had or are expected to have a material impact on the Organization's financial statements and associated disclosures.

Note 3 – Liquidity and Availability

Financial assets available within one year for general expenditure were as follows for the years ending December 31st:

| | 2018 |
|----------------------------------|--------------|
| Cash | \$ 1,728,127 |
| Grants receivable, net | 1,149,965 |
| Total financial assets available | \$ 2,878,092 |
| | |
| | 2017 |
| Cash | \$ 1,836,466 |
| Grants receivable, net | 2,961,348 |
| Total financial assets available | \$ 4,797,814 |

To manage liquidity, the Organization strives to maintain three months of operating reserves on hand to meet current liquidity needs and address shortfall in cash flow caused by seasonal revenue cycles. The operating reserves are maintained in local bank accounts. The Organization also maintains a line of credit in the amount of \$275,000 which it could draw upon.

Note 4 - Grants Receivable

The amount of grants receivable in less than one year at December 31, 2018 and 2017 were \$1,149,965 and \$2,961,348, respectively. This represents the net amount of grants receivable that the Organization believes it will collect in future years. Each year the collectability of the remaining receivable is assessed to determine whether there are any potentially uncollectable amounts to be written off or whether an allowance is necessary. There were no grants receivable that were deemed uncollectable at December 31, 2018 and 2017.

Note 5 – Property and Equipment

At December 31, 2018 and 2017, the balance in property and equipment was composed of the following:

| | 2018 | 2017 |
|-----------------------------------|-------------|-------------|
| Computer equipment | \$ 53,254 | \$ 39,578 |
| Office equipment | 18,251 | 16,293 |
| Total | 71,505 | 55,871 |
| Less: Accumulated depreciation | (25,981) | (13,971) |
| Net property, plant and equipment | \$ 45,524 | \$ 41,954 |

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 6 – Net Assets with Donor Restrictions

Net assets consisted of the following at December 31, 2018 and 2017, respectively:

| | 2018 | | | 2017 | | |
|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Operating funds | \$ 476,322 | \$ - | \$ 476,322 | \$ 420,780 | \$ - | \$ 420,780 |
| Invested in fixed assets | 45,524 | - | 45,524 | 41,954 | - | 41,954 |
| Restricted for purpose | - | 2,120,039 | 2,120,039 | - | 4,032,309 | 4,032,309 |
| Total net assets | <u>\$ 521,846</u> | <u>\$ 2,120,039</u> | <u>\$ 2,641,885</u> | <u>\$ 462,734</u> | <u>\$ 4,032,309</u> | <u>\$ 4,495,043</u> |

Net assets with donor restrictions consisted of the following grants temporarily restricted as to purpose at December 31st:

| | 2018 | 2017 |
|--|----------------------------|----------------------------|
| Purpose restrictions: | | |
| Coal plant programs and other | \$ 970,074 | \$ 1,070,961 |
| Time restrictions: | | |
| Grants receivable | 1,149,965 | 2,961,348 |
| Total temporarily restricted net assets | <u>\$ 2,120,039</u> | <u>\$ 4,032,309</u> |

Note 7 – Commitments

The Organization has a line of credit in the amount of \$275,000 with Bank of America that is secured by the Organization's receivables and equipment. As of December 31, 2018, there was no amount outstanding on this line. The interest rate on this available line is equal to Bank of America's prime rate plus 1.00% (6.5% as of December 31, 2018), and there are no commitment fees on unused amounts. This line of credit expires December 31, 2019.

Note 8 - Operating Leases

The Organization leases operating facilities and storage space under the terms of operating lease agreements, expiring in various years through 2022. For the years ended December 31, 2018 and 2017, rent expense under these agreements total \$138,514 and \$131,864, respectively.

Future minimum annual lease payments under the Organization's operating leases at December 31, 2018 are as follows:

| | |
|---------------------|--------------------------|
| Fiscal year ending: | |
| December 31, 2019 | \$ 119,309 |
| December 31, 2020 | 118,783 |
| December 31, 2021 | 109,133 |
| December 31, 2022 | 65,800 |
| Total | <u>\$ 413,025</u> |

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 8 - Operating Leases (Continued)

In accordance with ASU 2016-2, “Leases,” the Organization has recognized an “operating lease” asset and a corresponding “operating lease” liability relative to these operating leases. The asset and liability are calculated on the net present value of the lease payments through August 31, 2022. The present value calculation uses an interest rate of 6.5%. For the years ended December 31st, the asset and liability have been recognized in the statement of financial position as follows:

| | 2018 | | 2017 | |
|-------|------------|-------------|------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Total | \$ 311,945 | \$ 311,945 | \$ 371,690 | \$ 371,690 |

Note 9 - Pension Plans

The Organization has a Safe Harbor 401(K) Plan. The plan covers all eligible employees who meet minimum age and service requirements. The total expense under this plan for the years ended December 31, 2018 and 2017 was \$116,743 and \$104,333, respectively.

Note 10 - Related Party Activity

The Organization paid \$143,896 and \$97,564 in consulting fees to corporations owned by several of its board members during the years ended December 31, 2018 and 2017, respectively.

The Organization provided a grant in the amount of \$8,500 during the year ended December 31, 2017 to a nonprofit of which the Organization’s executive director is a member of its board of directors.

Note 11 - Subsequent Events

ASC 855-10, “*Subsequent Events*”, defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization’s management has evaluated events subsequent from December 31, 2018 through November 11, 2019, which is the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization’s results going forward.