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Clean Air Task Force, Inc.

**Financial Statements
& Independent Auditor's Report**

For the Years Ended December 31, 2020 and 2019

AUDIT, TAX & ADVISORY SERVICES
SINCE 1964

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-14

Independent Auditor's Report

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

Opinion

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, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the consolidated financial statements of Clean Air Task Force, Inc. and CATF Action, Inc. as of and for the years ended December 31, 2020 and 2019. Our report on those consolidated financial statements was unmodified.

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, 2020 and 2019, 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 Task Force, Inc. 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 Task Force, Inc.'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, 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 purpose of expressing an opinion on the effectiveness of Clean Air Task Force, Inc.'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 Task Force, Inc.'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.



Anstiss & Co., P.C.
Lowell, Massachusetts
May 10, 2021

Clean Air Task Force, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 12,909,928	\$ 5,724,136
Grants receivable	6,101,653	2,782,729
Other receivables	-	23,953
Deposits and other assets	343,501	83,110
Property and equipment, net	141,886	31,905
Operating lease asset	154,809	237,100
	<hr/>	<hr/>
Total assets	<u>\$ 19,651,777</u>	<u>\$ 8,882,933</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 464,977	\$ 319,890
Payroll liabilities	203,308	76,938
Grants payable	-	108,750
Deferred rent	6,267	7,050
Operating lease liability	154,809	237,100
	<hr/>	<hr/>
Total liabilities	<u>829,361</u>	<u>749,728</u>
Net Assets:		
Without donor restrictions	9,075,808	3,429,074
With donor restrictions	9,746,608	4,704,131
	<hr/>	<hr/>
Total net assets	<u>18,822,416</u>	<u>8,133,205</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 19,651,777</u>	<u>\$ 8,882,933</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Donations/grants	\$ 8,002,565	\$ 11,462,269	\$ 19,464,834
Other income	129,857	-	129,857
Interest income	267	-	267
Net loss on sale of donated securities	(2,735)	-	(2,735)
Net assets released from restrictions	6,419,792	(6,419,792)	-
Total revenue	<u>14,549,746</u>	<u>5,042,477</u>	<u>19,592,223</u>
Expenses			
Program services	7,280,521	-	7,280,521
Management and general	1,289,401	-	1,289,401
Fundraising	333,090	-	333,090
Total expenses	<u>8,903,012</u>	<u>-</u>	<u>8,903,012</u>
Change in net assets	5,646,734	5,042,477	10,689,211
Net assets at beginning of year	<u>3,429,074</u>	<u>4,704,131</u>	<u>8,133,205</u>
Net assets at end of year	<u>\$ 9,075,808</u>	<u>\$ 9,746,608</u>	<u>\$ 18,822,416</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Donations/grants	\$ 4,611,668	\$ 6,677,742	\$ 11,289,410
Other income	94,901	-	94,901
Interest income	440	-	440
Net return on sale of donated securities	(1,094)	-	(1,094)
Net assets released from restrictions	4,093,650	(4,093,650)	-
Total revenue	<u>8,799,565</u>	<u>2,584,092</u>	<u>11,383,657</u>
Expenses			
Program services	4,684,780	-	4,684,780
Management and general	1,026,493	-	1,026,493
Fundraising	181,064	-	181,064
Total expenses	<u>5,892,337</u>	<u>-</u>	<u>5,892,337</u>
Change in net assets	2,907,228	2,584,092	5,491,320
Net assets at beginning of year	<u>521,846</u>	<u>2,120,039</u>	<u>2,641,885</u>
Net assets at end of year	<u>\$ 3,429,074</u>	<u>\$ 4,704,131</u>	<u>\$ 8,133,205</u>

See accompanying notes to these financial statements.

Clean Air Task Force, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,904,171	\$ 291,041	\$ 205,525	\$ 3,400,737
Payroll taxes and employee benefits	872,837	26,377	61,658	960,872
Total	3,777,008	317,418	267,183	4,361,609
Depreciation	-	33,820	-	33,820
Grants and distributions	43,000	-	-	43,000
Management consultants	183,213	180,023	-	363,236
Occupancy	3,365	172,063	-	175,428
Other expenses	4,603	15,010	31,454	51,067
Postage and shipping	1,289	6,194	11	7,494
Printing and publications	89,641	30,000	5,590	125,231
Project consultants	3,075,543	416,213	20,000	3,511,756
Repairs and maintenance	4,940	9,720	-	14,660
Supplies	7,320	10,505	325	18,150
Telephone, fax, internet	9,038	79,683	7,674	96,395
Travel	81,561	18,752	853	101,166
Total expenses	<u>\$ 7,280,521</u>	<u>\$ 1,289,401</u>	<u>\$ 333,090</u>	<u>\$ 8,903,012</u>

See accompanying notes to these financial statements.

Clean Air Task Force, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,432,490	\$ 235,960	\$ 113,547	\$ 2,781,997
Payroll taxes and employee benefits	660,613	63,964	30,961	755,538
Total	3,093,103	299,924	144,508	3,537,535
Depreciation	-	21,875	-	21,875
Grants and distributions	117,557	-	-	117,557
Management consultants	169,700	158,130	-	327,830
Occupancy	1,341	155,990	-	157,331
Other expenses	31,312	32,853	14,650	78,815
Postage and shipping	691	3,618	-	4,309
Printing and publications	38,129	17,216	4,641	59,986
Project consultants	842,178	164,443	5,000	1,011,621
Repairs and maintenance	41,064	19,593	12,038	72,695
Supplies	3,638	7,960	-	11,598
Telephone, fax, internet	3,014	48,656	-	51,670
Travel	343,053	96,235	227	439,515
Total expenses	<u>\$ 4,684,780</u>	<u>\$ 1,026,493</u>	<u>\$ 181,064</u>	<u>\$ 5,892,337</u>

See accompanying notes to these financial statements.

Clean Air Task Force, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,689,211	\$ 5,491,320
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated investments	(90,378)	(148,194)
Realized loss (gain) on sale of donated securities	636	(1,783)
Depreciation	33,820	21,875
Changes in operating assets and liabilities:		
Increase in grants receivable	(3,318,924)	(1,632,764)
Decrease (increase) in other receivables	23,953	(23,953)
(Increase) decrease in deposits and other assets	(260,391)	6,695
Increase in accounts payable and accrued expenses	145,087	131,126
Increase in payroll liabilities	126,370	49,649
Decrease in grants payable	(108,750)	(41,250)
(Decrease) increase in deferred rent liability	(783)	1,567
Net cash provided by operating activities	<u>7,239,851</u>	<u>3,854,288</u>
Cash flows from investing activities:		
Proceeds from sale of investments	89,742	149,977
Purchase of equipment	(143,801)	(8,256)
Net cash (used) provided by investing activities	<u>(54,059)</u>	<u>141,721</u>
Net increase in cash	7,185,792	3,996,009
Cash at beginning of year	<u>5,724,136</u>	<u>1,728,127</u>
Cash at end of year	<u>\$ 12,909,928</u>	<u>\$ 5,724,136</u>
Supplemental Data:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
In-kind contributions	<u>\$ 90,378</u>	<u>\$ 148,194</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 \$154,809 and \$237,100 as of December 31, 2020 and 2019, respectively, representing the net present value of the future required payments on an operating lease to occupy office space (Note 8).

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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.

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, 2020 and 2019

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.

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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.

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.

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.

55% and 62% of grant revenue was received from eight separate private foundations for the years ended December 31, 2020 and 2019, respectively.

Note 3 – Liquidity and Availability

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 12,909,928	\$ 5,724,136
Grants and other receivables within one year	5,171,948	2,806,682
Total financial assets available for expenditure	<u>18,081,876</u>	<u>8,530,818</u>
Less: amount not available for general expenditure		
Net assets with donor restrictions	<u>(9,746,608)</u>	<u>(4,704,131)</u>
Total amounts not available for general expenditure	<u>(9,746,608)</u>	<u>(4,704,131)</u>
Total financial assets available for general expenditure within one year	<u>\$ 8,335,268</u>	<u>\$ 3,826,687</u>

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 3 – Liquidity and Availability (continued)

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 following table summarizes grants receivable as of December 31st:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 5,171,948	\$ 2,782,729
Receivable in one to five years	1,000,000	-
Total gross grants receivable	6,171,948	2,782,729
Less: discounts to new present value (5%)	(70,295)	-
Grants receivable, net	<u>\$ 6,101,653</u>	<u>\$ 2,782,729</u>

The amount of grants receivable represents the net amount of receivables that the Organization believes it will collect in future years. Each year, the collectability of the remaining receivable is assessed and any potentially uncollectible amounts are either written-off or posted to the allowance for uncollectible contributions receivable. As a result, there may be circumstances that occur during future years that will affect the collectability of the above amounts. There were no grants receivable that were deemed uncollectable at December 31, 2020 and 2019, respectively.

Note 5 – Property and Equipment

The balance in property and equipment was composed of the following as of December 31st:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 92,018	\$ 57,254
Office equipment	127,288	18,251
Total	219,306	75,505
Less: Accumulated depreciation	(77,420)	(43,600)
Property and equipment, net	<u>\$ 141,886</u>	<u>\$ 31,905</u>

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31st:

	2020	2019
Purpose restrictions:		
Coal plant programs and other	\$ 3,644,955	\$ 1,921,402
Time restrictions:		
Grants receivable	6,101,653	2,782,729
Total net assets with donor restrictions	\$ 9,746,608	\$ 4,704,131

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, 2020 and 2019, 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% (4.25% as of December 31, 2020), and there are no commitment fees on unused amounts. This line of credit expires December 31, 2021.

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, 2020 and 2019, rent expense under these agreements total \$165,676 and \$145,314, respectively.

Future minimum annual lease payments under the Organization’s operating leases at December 31, 2020 are as follows:

Fiscal year ending:	
December 31, 2021	\$ 133,525
December 31, 2022	68,242
Total	\$ 201,767

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:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Total	\$ 154,809	\$ 154,809	\$ 237,100	\$ 237,100

Clean Air Task Force, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019 was \$162,505 and \$125,964, respectively.

Note 10 - Related Party Activity

The Organization paid \$161,454 and \$218,444 in consulting fees to corporations owned by several of its board members during the years ended December 31, 2020 and 2019, respectively.

The Organization is due \$23,953 from CATF Action, Inc. as of December 31, 2019 for services provided in accordance with a management agreement between the two entities. This amount is included in other receivables and other income in the accompanying statements of financial positions and activities and changes in net assets, respectively, as of December 31, 2019.

Note 11 – Reclassifications

During 2020, certain amounts reported in the 2019 financial statements were reclassified to conform to current year presentation.

Note 12 - 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, 2020 through May 10, 2021, which is the issuance date of this report.

The extent of the impact of the COVID-19 pandemic on the Organization’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak. Potential impacts to the Organization may include disruptions or restrictions on employees’ ability to work, donors’ ability to contribute, and the Organization’s ability to fundraise. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

On February 23, 2021, the Organization obtained a non-controlling financial interest in the newly formed Foundation, Stitching Clean Air Task Force, located in the municipality of Rotterdam, Netherlands. Several members of the Organization’s management are managing, non-voting board members of this Foundation. The Foundation was formed for the purpose of promoting, stimulating, advising, educating, and researching awareness in regard to the development and deployment of low-carbon energy and other climate-protecting technologies on a global scale. The Foundation aims to perform research and analysis, provide public advocacy leadership, and partner with the private sector to carry out its objectives.

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.