
CENTER FOR ENVIRONMENTAL HEALTH

FINANCIAL STATEMENTS

DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

CENTER FOR ENVIRONMENTAL HEALTH

Contents

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-16

INDEPENDENT AUDITORS' REPORT

Board of Directors
Center for Environmental Health
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Environmental Health, which comprise the statement of financial position as of December 31, 2019, and the related statements of activity, cash flows and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Center for Environmental Health as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Center for Environmental Health's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croody & Lameda CPAs LLP

Oakland, California

May 20, 2020

CENTER FOR ENVIRONMENTAL HEALTH

**Statement of Financial Position
December 31, 2019
(With Comparative Totals as of December 31, 2018)**

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 1,030,054	\$ 1,104,097
Investments (Note 3)	4,742,651	2,559,441
Accounts receivable (Note 5)	1,713,096	533,131
Contributions receivable (Note 6)	437,524	472,648
Prepaid expenses	56,554	56,864
Property and equipment, net (Note 7)	61,166	18,377
Deposits	<u>13,650</u>	<u>13,650</u>
Total Assets	<u><u>\$ 8,054,695</u></u>	<u><u>\$ 4,758,208</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 112,755	\$ 112,014
Vacation accrual	87,924	87,855
Accrued rent	62,586	58,517
Deferred revenue	<u>515,877</u>	<u>693,230</u>
Total Liabilities	<u><u>779,142</u></u>	<u><u>951,616</u></u>
Net Assets		
Without donor restrictions		
Undesignated	4,775,661	761,377
Board designated reserve	<u>1,600,000</u>	<u>2,000,000</u>
Total Without Donor Restrictions	<u>6,375,661</u>	<u>2,761,377</u>
With donor restrictions (Note 10)	<u>899,892</u>	<u>1,045,215</u>
Total Net Assets	<u><u>7,275,553</u></u>	<u><u>3,806,592</u></u>
Total Liabilities and Net Assets	<u><u>\$ 8,054,695</u></u>	<u><u>\$ 4,758,208</u></u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Activities For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue				
Support				
Grants	\$ 459,000	\$ 847,000	\$ 1,306,000	\$ 1,716,102
Contributions	187,408	86,246	273,654	233,572
Special event, net (Note 14)	82,385	55,000	137,385	113,328
Total Support	<u>728,793</u>	<u>988,246</u>	<u>1,717,039</u>	<u>2,063,002</u>
Revenue				
Awards and settlements	5,232,190		5,232,190	1,321,871
Testing and other fees	416,317		416,317	514,011
Other	28,867		28,867	29,144
Total Revenue	<u>5,677,374</u>	<u>-</u>	<u>5,677,374</u>	<u>1,865,026</u>
Support provided by expiring time and purpose restrictions	<u>1,133,569</u>	<u>(1,133,569)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>7,539,736</u>	<u>(145,323)</u>	<u>7,394,413</u>	<u>3,928,028</u>
Expenses				
Program	3,372,992		3,372,992	2,744,966
Management and general	227,924		227,924	276,088
Fundraising	630,502		630,502	660,288
Total Expenses	<u>4,231,418</u>	<u>-</u>	<u>4,231,418</u>	<u>3,681,342</u>
Change in Net Assets, from operations	3,308,318	(145,323)	3,162,995	246,686
Investment activity, net (Note 3)	<u>305,966</u>		<u>305,966</u>	<u>(3,125)</u>
Change in Net Assets	3,614,284	(145,323)	3,468,961	243,561
Net Assets, beginning of year	<u>2,761,377</u>	<u>1,045,215</u>	<u>3,806,592</u>	<u>3,563,031</u>
Net Assets, end of year	<u>\$ 6,375,661</u>	<u>\$ 899,892</u>	<u>\$ 7,275,553</u>	<u>\$ 3,806,592</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Cash Flows For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 3,468,961	\$ 243,561
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	16,163	9,547
Donated stock	(12,591)	(5,957)
Investment activity, net	(305,966)	3,125
Change in assets and liabilities:		
Accounts receivable, net	(1,179,965)	(484,112)
Contributions receivable	35,124	(347,328)
Prepaid expenses	310	(4,812)
Accounts payable and accrued expenses	741	23,659
Vacation accrual	69	(2,984)
Accrued rent	4,069	58,517
Deferred revenue	(177,353)	438,229
Net cash provided (used) by operating activities	<u>1,849,562</u>	<u>(68,555)</u>
Cash flows from investing activities		
Purchase of fixed assets	(58,952)	(7,860)
Purchase of investments	(2,970,000)	-
Proceeds from sale of investments	1,105,347	800,000
Net cash provided (used) by investing activities	<u>(1,923,605)</u>	<u>792,140</u>
Net change in cash and cash equivalents	(74,043)	723,585
Cash and cash equivalents, beginning of year	<u>1,104,097</u>	<u>380,512</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,030,054</u></u>	<u><u>\$ 1,104,097</u></u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Functional Expenses For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	Program	Management and general	Fundraising	Total	
				2019	2018
Salaries	\$ 1,229,300	\$ 75,092	\$ 239,851	\$ 1,544,243	\$ 2,120,176
Retirement benefits	49,003	3,082	9,581	61,666	82,781
Other employee benefits	96,721	7,840	19,374	123,935	160,889
Payroll taxes	92,537	5,842	17,843	116,222	157,300
Total personnel	<u>1,467,561</u>	<u>91,856</u>	<u>286,649</u>	<u>1,846,066</u>	<u>2,521,146</u>
Grants	1,054,122	-	-	1,054,122	-
Professional fees	358,904	83,980	226,753	669,637	454,418
Research and testing services	135,453	-	-	135,453	115,918
Advertising and promotion	117	-	2,516	2,633	6,637
Supplies and office expense	36,588	2,930	18,607	58,125	92,603
Information technology	26,202	7,171	5,231	38,604	29,821
Occupancy	182,291	12,165	36,393	230,849	296,397
Travel and meals	69,212	716	17,347	87,275	72,836
Conferences and meetings	9,819	15,456	429	25,704	16,635
Depreciation	12,763	852	2,548	16,163	9,547
Insurance	-	11,176	-	11,176	12,465
Dues, licenses, service fees	16,950	1,178	16,756	34,884	46,871
Staff recruitment and training	3,010	444	17,273	20,727	6,048
Total expenses by function	<u>\$ 3,372,992</u>	<u>\$ 227,924</u>	<u>\$ 630,502</u>	<u>\$ 4,231,418</u>	<u>\$ 3,681,342</u>
Expenses reported on a net basis on statement of activities:					
Event expenses	-	-	138,801	138,801	94,128
Total expenses	<u>\$ 3,372,992</u>	<u>\$ 227,924</u>	<u>\$ 769,303</u>	<u>\$ 4,370,219</u>	<u>\$ 3,775,470</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 1: NATURE OF ACTIVITIES

Center for Environmental Health (the Organization or CEH) is a California nonprofit public benefit corporation, which was organized to protect the public from toxic chemicals.

Enforcing the Law to Protect People from Illegal Toxic Threats

CEH uses California's Proposition 65 law (the Safe Drinking Water and Toxic Enforcement Act of 1986) and other laws to force corporations to stop exposing people to toxic chemicals.

Creating Sound Public Policy to Protect People from Toxic Chemicals

CEH works with coalitions, other non-profit organizations, and local, state, and federal agencies (1) to help the government draft, implement, and enforce sensible public health regulations on toxic chemicals and (2) to protect existing environmental health protections from industries' ongoing attempts to weaken them.

Protecting People from Toxic, Endocrine Disrupting Chemicals (EDCs)

CEH identifies sources of exposures to chemicals that harm people's health and development by interfering with natural hormones. The program also eliminates these exposures by (1) creating incentives for manufacturers to make safer products, (2) educating consumers about the health threat posed by EDCs, and (3) supporting public policies that protect people from EDCs.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of December 31, 2019.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Awards and Settlements

The Organization recognizes revenue related to awards and settlements at the point in time settlement agreements receive approval by a court having jurisdiction over the related matter or when a final out of court agreement is reached and approved by all parties. Settlement agreements may include additional settlement payments, which are reserved for future activities with a clear and substantial nexus with the defendant's violation of statute. These additional settlement payments are recorded as deferred revenue until the Organization expends the funds in compliance with the settlement agreement. Settlement agreements may include payments to government agencies or law firms that assisted in the matter, such amounts are generally paid directly to such parties and are not recognized on the Organization's financial statements.

Testing and Other Fees

The Organization recognizes revenue for testing and other fees over time as the related work is performed. Funding may come from contracts and performance grants as well as from settlements and awards activity. Testing and other fee revenue is generally recognized

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

as work is performed based on billable staff time, external legal counsel costs and costs of testing.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of December 31, 2019 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended December 31, 2019.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents held in investments accounts for investment purposes are treated as part of investment balances for purposes of the statement of cash flows.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3-5 years
Website and software	3 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Deferred Revenue

Deferred revenue represents a combination of unexpended additional settlement payments from Proposition 65 enforcement plus advance payments for compliance testing of fashion accessories.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on semi-monthly timesheets prepared by employees or their supervisors, who report their effort by functional area.

Shared costs (such as occupancy, office management, information technology, supplies, equipment rental, depreciation, and telecommunications) are allocated to functional areas on the basis of full-time equivalents.

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3: INVESTMENTS

Investments, measured at fair value, consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 47,556	\$ 36,686
Certificates of deposit	2,370,088	-
Fixed income	1,668,977	1,581,282
Domestic equities	<u>656,030</u>	<u>941,473</u>
Total	<u>\$ 4,742,651</u>	<u>\$ 2,559,441</u>

Investment activity consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 61,958	\$ 61,012
Realized and unrealized gains (loss)	<u>244,008</u>	<u>(64,137)</u>
Total	<u>\$ 305,966</u>	<u>\$ (3,125)</u>

Fixed Income Ratings and Duration

Ratings (omitting +/-) for the Organization's bond holdings using Standard and Poor's or equivalent, were as follows as of December 31, 2019:

AAA	\$ 182,707
AA	662,781
A	425,882
BBB	<u>370,099</u>
Total	<u>\$ 1,641,469</u>

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

The prices of fixed-income securities may be sensitive to changes in interest rates. The Organization's fixed income holdings mature in 1 year to 9 years as of December 31, 2019.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value. Certain investments are recorded at values that approximate fair value due to their short term nature such as cash and cash equivalents.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

Fair values inputs of assets measured on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 47,556	\$ -	\$ 47,556
Certificates of deposit	-	2,370,088	2,370,088
Fixed income			
Corporate bonds	-	1,081,370	1,081,370
Government bonds	-	457,815	457,815
Municipal bonds	-	102,284	102,284
ETF - Agency bonds	27,508	-	27,508
Domestic equities			
Consumer goods	161,698	-	161,698
Financial services	91,621	-	91,621
Healthcare	120,822	-	120,822
Materials and industrial	94,954	-	94,954
Real estate	24,206	-	24,206
Technology	88,453	-	88,453
Telecomm and utilities	74,276	-	74,276
Total	<u>\$ 731,094</u>	<u>\$ 4,011,557</u>	<u>\$ 4,742,651</u>

The Organization uses the following methods to determine the fair value of its investments with fair values based on level 2 inputs.

Certificates of deposit – Based on the values shown on the Organization's investment statements on the last trading day of the year. The Organization's broker reports such values based on pricing service inputs including inputs from third parties.

CENTER FOR ENVIRONMENTAL HEALTH

**Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

Bond holdings - Based on the values shown on the Organization's investment statements on the last trading day of the year. The Organization's broker may report such values based on pricing service inputs including inputs from third parties. The Organization works to avoid holdings with stale pricing indicators.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants, or settlements which the Organization has been awarded. Settlements receivable are recorded with an allowance for doubtful accounts if deemed appropriate. Accounts receivable expected to be collected after more than one year are recorded with a discount to present value at a rate of 4.59% (1.59% + 3% risk premium). Accounts receivable are due as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,297,199	\$ 533,131
Between one and five years, net	<u>600,000</u>	<u>-</u>
Subtotal	1,897,199	\$ 533,131
Less allowance for doubtful accounts	(154,000)	-
Less discount to present value	<u>(30,103)</u>	<u>-</u>
Total	<u>\$ 1,713,096</u>	<u>\$ 533,131</u>

NOTE 6: CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the follows as of December 31:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 437,524	\$ 347,648
Between one and five years, net	<u>-</u>	<u>125,000</u>
Total	<u>\$ 437,524</u>	<u>\$ 472,648</u>

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 52,527	\$ 52,526
Website and software	91,680	71,435
Leasehold improvements	10,132	
Less accumulated depreciation	<u>(93,173)</u>	<u>(105,584)</u>
Total	<u>\$ 61,166</u>	<u>\$ 18,377</u>

CENTER FOR ENVIRONMENTAL HEALTH

**Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

NOTE 8: COMMITMENTS

The Organization is party to a lease for office space in Oakland which expires July 2024. Future minimum lease payments are as follows for the years ending December 31:

2020	\$ 238,300
2021	282,417
2022	303,084
2023	312,255
2024	<u>26,486</u>
Total	<u>\$ 1,162,542</u>

Rent payments for the years ended December 31, 2019 and 2018 totaled \$230,849 and \$237,880, respectively.

NOTE 9: CONTINGENCY

Certain grant awards and donations require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Purpose restricted	\$ 759,297	\$ 830,299
Fiscal projects	14,349	9,570
Time restricted	<u>126,246</u>	<u>205,346</u>
Total	<u>\$ 899,892</u>	<u>\$ 1,045,215</u>

NOTE 11: CONCENTRATIONS

Accounts Receivable

Accounts receivable are primarily amounts due from settlements which the Organization has been awarded. Approximately 74% of accounts receivable were from one settlement as of December 31, 2019.

Support

Two foundation funders provided approximately 35% of total support during the year ending December 31, 2019.

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 12: RETIREMENT PLAN

The Organization has a defined contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). Employees become eligible for participation after six months of employment. The Organization matches employee contributions up to 5% of compensation and contributions are 100% vested. Contributions made by the Organization for the years ended December 31, 2019 and 2018 were \$61,666 and \$82,781, respectively.

NOTE 13: DONOR ADVISED FUND

The Organization serves as an advisor to the Community Environmental Action & Justice Fund, a donor advised fund held at a local community foundation. The Organization's policy is to contribute a portion of its legal settlement fees to this fund. The amount of the contribution is determined annually. For the year ended December 31, 2019, no contribution was made. Such funds are the property of the community foundation until granted out to grant recipients. The Organization has formed a committee of environmental justice stakeholders to recommend grants to the community foundation. The balance of the fund was \$91,249 and \$92,319 at December 31, 2019 and 2018, respectively.

NOTE 14: SPECIAL EVENT

The Organization held a fundraising event during the year. Activity related to the event was as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Admissions, donations, sponsorships	\$ 276,186	\$ 207,456
Less costs of direct donor benefit	<u>(138,801)</u>	<u>(94,128)</u>
Total	<u>\$ 137,385</u>	<u>\$ 113,328</u>

NOTE 15: CONDITIONAL PROMISES TO GIVE

In addition to the activity reflected on the financials, the Organization received multi-year conditional grants that were not recognized in the financial statements pending satisfaction of the related grant conditions. As of December 31, 2019 conditional grants consisted of the following:

<u>Grant</u>	<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>
Grant I	\$900,000	\$300,000	\$600,000

NOTE 16: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of May 20, 2020, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order - Coronavirus

The Organization operates in an area which was affected by the COVID-19 coronavirus, and in March 2020 Oakland was subject to a public health order which affected activities of the Organization.

CENTER FOR ENVIRONMENTAL HEALTH

**Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

NOTE 17: RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred. Assessments of the probability of meeting conditions of conditional grant were eliminated as part of this update. The Adoption of this ASU increased the number of grant payments the Organization considered conditional.

NOTE 18: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 are:

Cash and cash equivalents	\$ 1,030,054
Investments	4,742,651
Accounts receivable	1,713,096
Contributions receivable	<u>437,524</u>
Total financial assets	\$ 7,923,325
Less purpose-restricted net assets	(773,646)
Less accounts receivable, noncurrent	(509,897)
Less board designated reserve	<u>(1,600,000)</u>
Total	<u>\$ 5,039,782</u>

Available liquid assets include both funds without donor restrictions and those with donor time restrictions available for use within one year. Funds with long-term donor restrictions and those with board designations are excluded because those amounts are considered illiquid. However, in case of need, the board of directors may appropriate resources from board designated funds.

The Organization's working capital and cash flows vary during the year based on the timing of grant awards and legal settlements, as well as seasonal variations attributable to special events and a concentration of contributions received at year-end. As part of the Organization's liquidity management plan, the Organization invests cash in excess of immediate requirements in accordance with its investment policy.