
CENTER FOR ENVIRONMENTAL HEALTH

FINANCIAL STATEMENTS

DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

CENTER FOR ENVIRONMENTAL HEALTH

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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, 2020, and the related statements of activities, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croody & Lameda CPAs LLP

Oakland, California

April 16, 2021

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Financial Position

December 31, 2020

(With Comparative Totals as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,424,305	\$ 1,030,054
Investments (Note 3)	6,127,514	4,742,651
Accounts receivable (Note 5)	599,210	1,713,096
Contributions receivable	334,230	437,524
Prepaid expenses	46,968	56,554
Property and equipment, net (Note 6)	64,715	61,166
Deposits	13,650	13,650
Total Assets	<u>\$ 8,610,592</u>	<u>\$ 8,054,695</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 120,645	\$ 112,755
Vacation accrual	96,547	87,924
Accrued rent	64,277	62,586
Deferred revenue (Note 7)	897,531	515,877
Total Liabilities	<u>1,179,000</u>	<u>779,142</u>
Net Assets		
Without donor restrictions		
Undesignated	4,214,004	4,775,661
Board designated reserve	2,100,000	1,600,000
Total Without Donor Restrictions	<u>6,314,004</u>	<u>6,375,661</u>
With donor restrictions (Note 10)	1,117,588	899,892
Total Net Assets	<u>7,431,592</u>	<u>7,275,553</u>
Total Liabilities and Net Assets	<u>\$ 8,610,592</u>	<u>\$ 8,054,695</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Activities For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Support and Revenue				
Support				
Grants	\$ 841,011	\$ 1,066,872	\$ 1,907,883	\$ 1,306,000
Contributions	261,123	237,550	498,673	273,654
Special event, net (Note 11)			-	137,385
Total Support	<u>1,102,134</u>	<u>1,304,422</u>	<u>2,406,556</u>	<u>1,717,039</u>
Revenue				
Awards and settlements	479,139		479,139	5,232,190
Testing and other fees	295,168		295,168	416,317
Other	22,631		22,631	28,867
Total Revenue	<u>796,938</u>	<u>-</u>	<u>796,938</u>	<u>5,677,374</u>
Support provided by expiring time and purpose restrictions	<u>1,086,726</u>	<u>(1,086,726)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,985,798</u>	<u>217,696</u>	<u>3,203,494</u>	<u>7,394,413</u>
Expenses				
Program	2,536,703		2,536,703	3,372,992
Management and general	257,505		257,505	227,924
Fundraising	657,822		657,822	630,502
Total Expenses	<u>3,452,030</u>	<u>-</u>	<u>3,452,030</u>	<u>4,231,418</u>
Change in Net Assets, from operations	(466,232)	217,696	(248,536)	3,162,995
Investment activity, net (Note 3)	<u>404,575</u>		<u>404,575</u>	<u>305,966</u>
Change in Net Assets	(61,657)	217,696	156,039	3,468,961
Net Assets, beginning of year	<u>6,375,661</u>	<u>899,892</u>	<u>7,275,553</u>	<u>3,806,592</u>
Net Assets, end of year	<u>\$ 6,314,004</u>	<u>\$ 1,117,588</u>	<u>\$ 7,431,592</u>	<u>\$ 7,275,553</u>

See Notes to the Financial Statements

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Statement of Cash Flows For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 156,039	\$ 3,468,961
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	27,327	16,163
Donated stock	(10,288)	(12,591)
Investment activity, net	(404,575)	(305,966)
Change in assets and liabilities:		
Accounts receivable	1,113,886	(1,179,965)
Contributions receivable	103,294	35,124
Prepaid expenses	9,586	310
Accounts payable and accrued expenses	7,890	741
Vacation accrual	8,623	69
Accrued rent	1,691	4,069
Deferred revenue	381,654	(177,353)
Net cash provided (used) by operating activities	<u>1,395,127</u>	<u>1,849,562</u>
Cash flows from investing activities		
Purchase of fixed assets	(30,876)	(58,952)
Purchase of investments	(970,000)	(2,970,000)
Proceeds from sale of investments	-	1,105,347
Net cash provided (used) by investing activities	<u>(1,000,876)</u>	<u>(1,923,605)</u>
Net change in cash and cash equivalents	394,251	(74,043)
Cash and cash equivalents, beginning of year	<u>1,030,054</u>	<u>1,104,097</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,424,305</u></u>	<u><u>\$ 1,030,054</u></u>

See Notes to the Financial Statements

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Statement of Functional Expenses For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	Program	Management and general	Fundraising	Total	
				2020	2019
Salaries	\$ 1,273,830	\$ 95,855	\$ 359,073	\$ 1,728,758	\$ 1,544,243
Retirement benefits	45,913	3,448	12,664	62,025	61,666
Other employee benefits	93,358	12,138	24,182	129,678	123,935
Payroll taxes	99,707	7,483	27,679	134,869	116,222
Total personnel	<u>1,512,808</u>	<u>118,924</u>	<u>423,598</u>	<u>2,055,330</u>	<u>1,846,066</u>
Grants	-	-	-	-	1,054,122
Professional fees	515,514	97,327	93,589	706,430	669,637
Research and testing services	98,751	-	-	98,751	135,453
Advertising and promotion	102	-	-	102	2,633
Supplies and office expense	86,738	5,052	27,339	119,129	58,125
Information technology	43,913	2,648	8,220	54,781	38,604
Occupancy	202,090	13,753	42,690	258,533	230,849
Travel and meals	15,722	209	4,577	20,508	87,275
Conferences and meetings	2,704	1,893	507	5,104	25,704
Depreciation	21,361	1,454	4,512	27,327	16,163
Insurance	-	11,258	-	11,258	11,176
Dues, licenses, service fees	21,035	2,140	10,299	33,474	34,884
Staff recruitment and training	6,750	2,847	42,491	52,088	20,727
Bad debt	9,215	-	-	9,215	-
Total expenses by function	<u>\$ 2,536,703</u>	<u>\$ 257,505</u>	<u>\$ 657,822</u>	<u>\$ 3,452,030</u>	<u>\$ 4,231,418</u>
Expenses reported on a net basis on statement of activities:					
Event expenses	-	-	-	-	138,801
Total expenses	<u>\$ 2,536,703</u>	<u>\$ 257,505</u>	<u>\$ 657,822</u>	<u>\$ 3,452,030</u>	<u>\$ 4,370,219</u>

See Notes to the Financial Statements

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Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

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

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donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of December 31, 2020.

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.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time when any of the following conditions are met: The customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such

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Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

progress. If the Organization's efforts are expended evenly throughout the performance period the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise are recognized at the point in time when the goods or merchandise are provided to the customer.

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

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 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, 2020 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

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Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

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, 2020.

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.

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
Leasehold improvements	4 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.

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Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

Accrued Rent

Certain of the Organization's leases may include non-level payment terms or rent-free periods. The Organization recognizes rental expense for minimum lease payments from operating leases on a straight-line basis over the lease term, including any additional cancelable option periods where failure to exercise such options would result in an economic penalty. Consistent with this policy rent expense is recorded beginning at the start of the Organization's use of the property or build-out period during which time the Organization may not make rent payments.

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.

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.

Changes in Accounting Principles

The Organization adopted *ASU 2014-09 – Revenue from Contracts with Customers (Topic 606)* during the year ended December 31, 2020. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an

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Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 did not result in a material change to timing of when revenue is recognized.

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, 2019, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,287,530	\$ 47,556
Certificates of deposit	749,893	2,370,088
Fixed income	2,912,497	1,668,977
Equities	<u>1,177,594</u>	<u>656,030</u>
Total	<u>\$ 6,127,514</u>	<u>\$ 4,742,651</u>

Investment activity consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 85,384	\$ 61,958
Realized and unrealized gains (loss)	<u>319,191</u>	<u>244,008</u>
Total	<u>\$ 404,575</u>	<u>\$ 305,966</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, 2020:

AAA	\$ 195,352
AA	1,014,809
A	644,659
BBB	<u>735,503</u>
Total	<u>\$ 2,590,323</u>

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, 2020.

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Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,287,530	\$ -	\$ 1,287,530
Certificates of deposit	-	749,893	749,893
Fixed income			
Corporate bonds	-	1,730,262	1,730,262
Government bonds	-	755,841	755,841
Municipal bonds	-	104,220	104,220
Agency bonds - ETF	322,174	-	322,174
Equities			
Consumer goods	367,844	-	367,844
Financial services	163,766	-	163,766
Healthcare	214,217	-	214,217
Materials and industrial	133,599	-	133,599
Real estate	35,856	-	35,856
Technology	137,515	-	137,515
Telecomm and utilities	<u>124,797</u>	<u>-</u>	<u>124,797</u>
Total	<u>\$ 2,787,298</u>	<u>\$ 3,340,216</u>	<u>\$ 6,127,514</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.

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.

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**Notes to the Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)**

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable are primarily unsecured non-interest bearing amounts due from 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>2020</u>	<u>2019</u>
Within one year	\$ 659,210	\$ 1,297,199
Between one and five years, net	-	600,000
Less allowance for doubtful accounts	(60,000)	(154,000)
Less discount to present value	<u>-</u>	<u>(30,103)</u>
Total	<u>\$ 599,210</u>	<u>\$ 1,713,096</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 83,403	\$ 52,527
Website and software	56,680	91,680
Leasehold improvements	10,132	10,132
Less accumulated depreciation	<u>(85,500)</u>	<u>(93,173)</u>
Total	<u>\$ 64,715</u>	<u>\$ 61,166</u>

NOTE 7: 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. Revenue is recognized when the Organization incurs expenses for the related activities. Deferred revenue activity was as follows for the year ended December 31, 2020:

Beginning balance	\$ 515,877
New deferred revenue	784,264
Revenue recognized	<u>(402,610)</u>
Ending deferred revenue	<u>\$ 897,531</u>

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:

2021	\$ 282,417
2022	303,084
2023	312,255
2024	<u>185,405</u>
Total	<u>\$ 1,083,161</u>

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**Notes to the Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)**

Rent payments for the years ended December 31, 2020 and 2019 totaled \$311,806 and \$230,849, 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>2020</u>	<u>2019</u>
Purpose restricted	\$ 887,219	\$ 759,297
Fiscal projects	17,819	14,349
Time restricted	<u>212,550</u>	<u>126,246</u>
Total	<u>\$ 1,117,588</u>	<u>\$ 899,892</u>

NOTE 11: SPECIAL EVENT

Organization's annual gala fundraising event and other special events were canceled in the most recent year due to COVID-19 restrictions. Funds raised net of direct donor benefit expense totaled \$0 and \$137,385 for the years ended December 31, 2020 and 2019, respectively.

NOTE 12: CONCENTRATIONS

Accounts Receivable

Accounts receivable are primarily amounts due from settlements which the Organization has been awarded. Approximately 90% of accounts receivable were from one settlement as of December 31, 2020.

Support

Two foundation funders provided approximately 29% of total support during the year ending December 31, 2020.

NOTE 13: 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, 2020 and 2019 were \$62,025 and \$61,666, respectively.

CENTER FOR ENVIRONMENTAL HEALTH

**Notes to the Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)**

NOTE 14: 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, 2020, 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 \$114,445 and \$91,249 at December 31, 2020 and 2019, respectively.

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, 2020 conditional grants consisted of the following:

<u>Grant</u>	<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>
Grant I	\$900,000	\$600,000	\$300,000
Grant II	\$1,500,000	\$600,000	\$900,000

NOTE 16: PASS-THROUGH ACTIVITY

The Organization serves as the lead fiscal agent for a grant in which funds have been earmarked for grants to other organization. In addition to the activity reflected on the Organization's financials, an additional \$80,000 was accounted for on a pass-through basis reflecting the activity of the grantees for the year ended December 31, 2020.

NOTE 17: PAYCHECK PROTECTION PROGRAM (PPP)

The Organization received a Paycheck Protection Program (PPP) loan of \$361,011 bearing interest of 1% maturity date of April 2022. The Organization expects to meet the PPP's eligibility criteria for forgiveness and concludes that the loan represents, in substance, funding from a governmental assistance program. The Center accounts for such funding in accordance with *FASB ASC 958-605* as conditional support based on compliance with program terms and allocation of eligible costs to this funding.

Guidance related to this program is evolving, and it remains possible that final forgiveness amounts may vary from these estimates or that no forgiveness will be offered. The SBA reserves the right to audit any forgiveness granted, and such audit activity, if any, may result in changes to amounts forgiven or a requirement to return funds received. The Organization expects to repay any amount due within one year of December 31, 2020.

NOTE 18: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of April 16, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

Public Health Order - Coronavirus

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and the Organization and the area it operates in was subject to a public health order related to COVID-19 coronavirus which affected activities of the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations, and workforce.

Paycheck Protection Program (PPP) Loan – Second Round

On February 21, 2021, the Organization received an additional PPP loan of \$369,193 bearing interest of 1% with a maturity date of February 2026. The Organization may be eligible for forgiveness of some or all of this loan. Guidance related to this program is evolving, and it remains possible that final forgiveness amounts may vary or that no forgiveness will be offered.

NOTE 19: 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, 2020 are:

Cash and cash equivalents	\$ 1,424,305
Investments	6,127,514
Accounts receivable	599,210
Contributions receivable	344,230
Less purpose-restricted net assets	(905,038)
Less board designated reserve	<u>(2,100,000)</u>
Total	<u>\$ 5,490,221</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.