
CENTER FOR ENVIRONMENTAL HEALTH

FINANCIAL STATEMENTS

DECEMBER 31, 2021

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2020)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

CENTER FOR ENVIRONMENTAL HEALTH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Center for Environmental Health
Oakland, California

Opinion

We have audited the accompanying financial statements of Center for Environmental Health (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, cash flows and functional expenses, for the year then ended, and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Environmental Health as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Organization'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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croody & Lameda CPAs LLP

Oakland, California

May 26, 2022

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Financial Position

December 31, 2021

(With Comparative Totals as of December 31, 2020)

Assets	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,002,938	\$ 1,424,305
Investments (Note 3)	6,389,061	6,127,514
Accounts receivable (Note 5)	22,873	599,210
Contributions receivable (Note 6)	938,792	334,230
Prepaid expenses	55,974	46,968
Property and equipment, net (Note 7)	49,924	64,715
Deposits	13,650	13,650
Total Assets	<u>\$ 8,473,212</u>	<u>\$ 8,610,592</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 143,305	\$ 120,645
Vacation accrual	112,768	96,547
Accrued rent	21,850	64,277
Deferred revenue (Note 8)	862,015	897,531
Total Liabilities	<u>1,139,938</u>	<u>1,179,000</u>
Net Assets		
Without donor restrictions		
Undesignated	3,587,970	4,214,004
Board designated reserve	2,300,000	2,100,000
Total Without Donor Restrictions	<u>5,887,970</u>	<u>6,314,004</u>
With donor restrictions (Note 11)	<u>1,445,304</u>	<u>1,117,588</u>
Total Net Assets	<u>7,333,274</u>	<u>7,431,592</u>
Total Liabilities and Net Assets	<u>\$ 8,473,212</u>	<u>\$ 8,610,592</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

**Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Support and Revenue				
Support				
Grants	\$ 879,193	\$ 1,259,856	\$ 2,139,049	\$ 1,907,883
Contributions	453,531	324,398	777,929	498,673
Total Support	<u>1,332,724</u>	<u>1,584,254</u>	<u>2,916,978</u>	<u>2,406,556</u>
Revenue				
Awards and settlements	672,429		672,429	479,139
Testing and other fees	184,246		184,246	295,168
Other	14,279		14,279	22,631
Total Revenue	<u>870,954</u>	<u>-</u>	<u>870,954</u>	<u>796,938</u>
Support provided by expiring time and purpose restrictions	<u>1,256,538</u>	<u>(1,256,538)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,460,216</u>	<u>327,716</u>	<u>3,787,932</u>	<u>3,203,494</u>
Expenses				
Program	2,976,503		2,976,503	2,536,703
Management and general	265,601		265,601	257,505
Fundraising	891,906		891,906	657,822
Total Expenses	<u>4,134,010</u>	<u>-</u>	<u>4,134,010</u>	<u>3,452,030</u>
Change in Net Assets from operations	(673,794)	327,716	(346,078)	(248,536)
Investment activity, net (Note 3)	<u>247,760</u>		<u>247,760</u>	<u>404,575</u>
Change in Net Assets	(426,034)	327,716	(98,318)	156,039
Net Assets, beginning of year	<u>6,314,004</u>	<u>1,117,588</u>	<u>7,431,592</u>	<u>7,275,553</u>
Net Assets, end of year	<u>\$ 5,887,970</u>	<u>\$ 1,445,304</u>	<u>\$ 7,333,274</u>	<u>\$ 7,431,592</u>

See Notes to the Financial Statements

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**Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (98,318)	\$ 156,039
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	34,410	27,327
Donated stock	(7,426)	(10,288)
Investment activity, net	(247,760)	(404,575)
Change in assets and liabilities:		
Accounts receivable	576,337	1,113,886
Contributions receivable	(604,562)	103,294
Prepaid expenses	(9,006)	9,586
Accounts payable and accrued expenses	22,660	7,890
Vacation accrual	16,221	8,623
Accrued rent	(42,427)	1,691
Deferred revenue	(35,516)	381,654
Net cash provided (used) by operating activities	(395,387)	1,395,127
Cash flows from investing activities		
Purchase of fixed assets	(19,619)	(30,876)
Purchase of investments	(570,000)	(970,000)
Proceeds from sale of investments	563,639	0
Net cash provided (used) by investing activities	(25,980)	(1,000,876)
Net change in cash and cash equivalents	(421,367)	394,251
Cash and cash equivalents, beginning of year	1,424,305	1,030,054
Cash and cash equivalents, end of year	\$ 1,002,938	\$ 1,424,305

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

**Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

	Program	Management and general	Fundraising	Total	
				2021	2020
Salaries	\$ 1,565,771	\$ 104,103	\$ 556,551	\$ 2,226,425	\$ 1,728,758
Retirement benefits	52,190	3,439	18,390	74,019	62,025
Other employee benefits	120,993	13,811	43,176	177,980	129,678
Payroll taxes	120,429	8,231	42,133	170,793	134,869
Total personnel	<u>1,859,383</u>	<u>129,584</u>	<u>660,250</u>	<u>2,649,217</u>	<u>2,055,330</u>
Professional fees	624,755	76,763	62,707	764,225	706,430
Research and testing services	69,690	-	-	69,690	98,751
Advertising and promotion	648	-	220	868	102
Supplies and office expense	79,949	4,240	33,981	118,170	119,129
Information technology	33,117	1,854	9,800	44,771	54,781
Occupancy	192,725	11,189	59,138	263,052	258,533
Travel and meals	3,059	725	1,737	5,521	17,008
Conferences and meetings	4,273	2,649	26,283	33,205	8,604
Depreciation	25,210	1,464	7,736	34,410	27,327
Insurance	-	18,419	-	18,419	11,258
Dues, service fees and other	43,152	16,772	21,598	81,522	42,689
Staff recruitment and training	40,542	1,942	8,456	50,940	52,088
Total expenses by function	<u>\$ 2,976,503</u>	<u>\$ 265,601</u>	<u>\$ 891,906</u>	<u>\$ 4,134,010</u>	<u>\$ 3,452,030</u>

See Notes to the Financial Statements

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Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

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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Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of December 31, 2021.

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.

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 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 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.

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.

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Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

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

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, 2021 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, 2021.

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

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Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

accounts for investment purposes are treated as part of investment balances for purposes of the statement of cash flows.

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.

Accrued Rent

Certain of the Organizations 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,

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**Notes to the Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

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.

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, 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,066,505	\$ 1,287,530
Certificates of deposit	999,721	749,893
Fixed income	2,852,424	2,912,497
Equities	<u>1,470,411</u>	<u>1,177,594</u>
Total	<u>\$ 6,389,061</u>	<u>\$ 6,127,514</u>

Investment activity consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 83,135	\$ 85,384
Realized and unrealized gains (loss)	193,240	341,950
Less: Investment fees	<u>(28,615)</u>	<u>(22,759)</u>
Total	<u>\$ 247,760</u>	<u>\$ 404,575</u>

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**Notes to the Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

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, 2021:

AAA	\$ 186,681
AA	1,057,832
A	817,602
BBB	<u>693,289</u>
Total	<u>\$ 2,755,404</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, 2021.

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,066,505	\$ -	\$ 1,066,505
Certificates of deposit	-	999,721	999,721
Fixed income			
Corporate bonds	-	1,895,826	1,895,826
Government bonds	-	757,802	757,802
Municipal bonds	-	101,776	101,776
Agency bonds - ETF	97,020	-	97,020
Equities			
Consumer goods	270,396	-	270,396
Financial services	180,414	-	180,414
Healthcare	205,534	-	205,534
Materials and industrial	191,421	-	191,421
Real estate	54,609	-	54,609
Technology	410,249	-	410,249

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**Notes to the Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

Telecomm and utilities	<u>157,788</u>	<u>-</u>	<u>157,788</u>
Total	<u>\$2,633,936</u>	<u>\$ 3,755,125</u>	<u>\$ 6,389,061</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.

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 are due as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 22,873	\$ 659,210
Less allowance for doubtful accounts	<u>-</u>	<u>(60,000)</u>
Total	<u>\$ 22,873</u>	<u>\$ 599,210</u>

NOTE 6: CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2021 are expected to be realized in the following periods:

Less than one year	\$ 820,436
Between one to four years	125,000
Less discount to present value	<u>(6,644)</u>
Total	<u>\$ 938,792</u>

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 103,018	\$ 83,403
Website and software	56,680	56,680
Leasehold improvements	10,132	10,132
Less accumulated depreciation	<u>(119,906)</u>	<u>(85,500)</u>
Total	<u>\$ 49,924</u>	<u>\$ 64,715</u>

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**Notes to the Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

NOTE 8: 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, 2021:

Beginning balance	\$ 897,531
New deferred revenue	407,009
Revenue recognized	<u>(442,525)</u>
Ending balance	<u>\$ 862,015</u>

NOTE 9: 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:

2022	\$ 303,084
2023	312,255
2024	<u>185,405</u>
Total	<u>\$ 800,744</u>

Rent payments for the years ended December 31, 2021 and 2020 totaled \$263,052 and \$311,806, respectively.

NOTE 10: CONTINGENCY

Compliance with Donor Restrictions

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.

PPP Loan Forgiveness

Guidance related to this program is evolving. 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.

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Purpose restricted	\$ 1,223,462	\$ 887,219
Fiscal projects	-	17,819
Time restricted	<u>221,842</u>	<u>212,550</u>
Total	<u>\$ 1,445,304</u>	<u>\$ 1,117,588</u>

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Notes to the Financial Statements
For the Year Ended December 31, 2021
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NOTE 12: CONCENTRATIONS

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.

Contribution Receivable

Contribution receivable are amounts due which the Organization has been awarded. Approximately 39% of contribution receivable were from one funder as of December 31, 2021.

Support

Two foundation funders provided approximately 37% of total support during the year ending December 31, 2021.

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, 2021 and 2020 were \$74,019 and \$62,025, respectively.

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, 2021, 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 \$126,197 and \$114,445 at December 31, 2021 and 2020, 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, 2021 conditional grants consisted of the following:

<u>Grant</u>	<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>
Grant I	\$300,000	\$100,000	\$200,000

NOTE 16: PAYCHECK PROTECTION PROGRAM (PPP)

The Organization received a Paycheck Protection Program (PPP) loan of \$369,193 bearing interest of 1% maturity date of February 2026. The Organization expects to meet the PPP's eligibility criteria for forgiveness and concludes that the loan represents, in substance,

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funding from a governmental assistance program. The Organization 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.

NOTE 17: 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, 2021 are:

Cash and cash equivalents	\$ 1,002,938
Investments	6,389,061
Accounts receivable	22,873
Contributions receivable current	820,436
Less purpose-restricted net assets	(1,223,462)
Less board designated reserve	<u>(2,300,000)</u>
Total	<u>\$ 4,711,846</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.

NOTE 18: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of May 26, 2022, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Coronavirus

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. 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.