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# **CENTER FOR ENVIRONMENTAL HEALTH**

## **FINANCIAL STATEMENTS**

**December 31, 2023**

**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2022)**

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**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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Crosby + Kaneda CPAs LLP*

Alameda, California

September 10, 2024

**CENTER FOR ENVIRONMENTAL HEALTH**

**Statement of Financial Position**

**December 31, 2023**

**(With Comparative Totals as of December 31, 2022)**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Assets		
Cash and cash equivalents	\$ 711,567	\$ 1,125,376
Investments (Note 3)	3,142,683	4,109,617
Accounts receivable, current	12,490	282,093
Contributions receivable	667,085	567,218
Prepaid expenses and deposits	79,378	62,183
Property and equipment, net (Note 5)	36,316	52,496
Right of use asset - operating lease	148,943	394,828
Total Assets	<u>\$ 4,798,462</u>	<u>\$ 6,593,811</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 89,006	\$ 481,221
Accrued paid time off	86,582	109,979
Operating lease liability (Note 7)	26,376	328,994
Deferred revenue (Note 6)	902,422	578,577
Total Liabilities	<u>1,104,386</u>	<u>1,498,771</u>
Net Assets		
Without donor restrictions		
Undesignated	5,453	900,003
Board designated reserve	2,000,000	2,800,000
Total Without Donor Restrictions	<u>2,005,453</u>	<u>3,700,003</u>
With donor restrictions (Note 9)	1,688,623	1,395,037
Total Net Assets	<u>3,694,076</u>	<u>5,095,040</u>
Total Liabilities and Net Assets	<u>\$ 4,798,462</u>	<u>\$ 6,593,811</u>

See Notes to the Financial Statements

**CENTER FOR ENVIRONMENTAL HEALTH**

**Statement of Activities  
For the Year Ended December 31, 2023  
(With Comparative Totals for the Year Ended December 31, 2022)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
<b>Support and Revenue</b>				
Support				
Grants	\$ 742,583	\$ 1,296,644	\$ 2,039,227	\$ 1,505,320
Contributions	273,804	140,000	413,804	633,287
Total Support	<u>1,016,387</u>	<u>1,436,644</u>	<u>2,453,031</u>	<u>2,138,607</u>
Revenue				
Awards and settlements	894,543		894,543	1,070,365
Testing and other fees	97,755		97,755	438,188
Other	28,639		28,639	42,246
Total Revenue	<u>1,020,937</u>	<u>-</u>	<u>1,020,937</u>	<u>1,550,799</u>
Support provided by expiring time and purpose restrictions	<u>1,143,058</u>	<u>(1,143,058)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,180,382</u>	<u>293,586</u>	<u>3,473,968</u>	<u>3,689,406</u>
<b>Expenses</b>				
Program	3,418,215		3,418,215	4,028,699
Management and general	640,006		640,006	601,201
Fundraising	1,049,777		1,049,777	780,693
Total Expenses	<u>5,107,998</u>	<u>-</u>	<u>5,107,998</u>	<u>5,410,593</u>
Change in Net Assets from operations	(1,927,616)	293,586	(1,634,030)	(1,721,187)
Investment activity, net (Note 3)	<u>233,066</u>		<u>233,066</u>	<u>(517,047)</u>
Change in Net Assets	(1,694,550)	293,586	(1,400,964)	(2,238,234)
Net Assets, beginning of year	<u>3,700,003</u>	<u>1,395,037</u>	<u>5,095,040</u>	<u>7,333,274</u>
Net Assets, end of year	<u>\$ 2,005,453</u>	<u>\$ 1,688,623</u>	<u>\$ 3,694,076</u>	<u>\$ 5,095,040</u>

See Notes to the Financial Statements

**CENTER FOR ENVIRONMENTAL HEALTH**

**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

	2023	2022
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,400,964)	\$ (2,238,234)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	16,180	27,563
Donated stock	-	(7,603)
Investment activity, net	(233,066)	517,047
Change in assets and liabilities:		
Accounts receivable	269,603	(259,220)
Contributions receivable	(99,867)	371,574
Prepaid expenses	(17,195)	7,441
Change in operating lease assets and liabilities	(56,733)	(87,684)
Accounts payable and accrued expenses	(392,215)	337,916
Vacation accrual	(23,397)	(2,789)
Deferred revenue	323,845	(283,438)
Net cash provided (used) by operating activities	(1,613,809)	(1,617,427)
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	-	(30,135)
Proceeds from sale of investments	1,200,000	1,770,000
Net cash provided (used) by investing activities	1,200,000	1,739,865
Net change in cash and cash equivalents	(413,809)	122,438
Cash and cash equivalents, beginning of year	1,125,376	1,002,938
Cash and cash equivalents, end of year	\$ 711,567	\$ 1,125,376
<b>Supplemental information</b>		
Right-of-use assets obtained in exchange for lease liabilities	\$ -	\$ -
Cash paid for operating lease		
Donated stock	\$ -	\$ 7,603

See Notes to the Financial Statements

**CENTER FOR ENVIRONMENTAL HEALTH**

**Statement of Functional Expenses  
For the Year Ended December 31, 2023  
(With Comparative Totals for the Year Ended December 31, 2022)**

	Program	Management and general	Fundraising	Total	
				2023	2022
Salaries	\$ 1,814,764	\$ 191,356	\$ 570,928	\$ 2,577,048	\$ 2,807,022
Retirement benefits	54,309	5,726	17,086	77,121	79,354
Other employee benefits	135,530	14,291	42,638	192,459	152,435
Payroll taxes	134,990	14,234	42,468	191,692	211,100
Total personnel	<u>2,139,593</u>	<u>225,607</u>	<u>673,120</u>	<u>3,038,320</u>	<u>3,249,911</u>
Grants	51,148			51,148	19,206
Fees for service	529,946	350,388	190,662	1,070,996	1,006,640
Staff recruitment and training	52,520	4,572	17,675	74,767	226,647
Research and testing services	105,585			105,585	175,995
Advertising and promotion	2,056		65	2,121	4,645
Supplies and office expense	62,543	5,445	21,047	89,035	115,142
Information technology	76,807	4,021	20,404	101,232	67,328
Occupancy	243,771	13,188	66,916	323,875	259,596
Travel and meals	59,002	4,723	16,170	79,895	67,894
Conferences and meetings	33,443	2,556	19,656	55,655	78,262
Depreciation	12,179	658	3,343	16,180	27,563
Insurance		25,221		25,221	30,042
Dues, service fees and other	49,622	3,627	20,719	73,968	81,722
Total expenses by function	<u>\$ 3,418,215</u>	<u>\$ 640,006</u>	<u>\$ 1,049,777</u>	<u>\$ 5,107,998</u>	<u>\$ 5,410,593</u>

See Notes to the Financial Statements



## CENTER FOR ENVIRONMENTAL HEALTH

### Notes to the Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for the Year Ended December 31, 2022)

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#### 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, 2023 (With Comparative Totals for the Year Ended December 31, 2022)

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donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of December 31, 2023.

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, 2023 (With Comparative Totals for the Year Ended December 31, 2022)

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#### **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, 2023 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, 2023.

#### **Accounts Receivable**

Accounts receivable are primarily unsecured non-interest-bearing amounts due from settlements which the Organization has been awarded. The Organization considers all accounts receivable to be fully collectible at December 31, 2023. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

#### **Contributions Receivable**

Contributions receivable including grants and pledges 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

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### Notes to the Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for the Year Ended December 31, 2022)

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a 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 considers all contributions receivable to be fully collectible at December 31, 2023. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

#### **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.

#### **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.

#### **Leases**

The Organization evaluates all contracts to determine if they contain a lease. For leases with terms greater than 12 months, the Organization records a right-of-use asset and lease obligation at the present value of lease payments over the term of the lease. The Organization expenses total lease costs on a straight-line basis over the related lease term. The Organization has elected to exclude leases that (a) have a lease term of 12 months or less and (b) do not contain a reasonably certain purchase option. The Organization has elected to combine non-lease components with related lease components unless non-lease

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### Notes to the Financial Statements For the Year Ended December 31, 2023 (With Comparative Totals for the Year Ended December 31, 2022)

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components are billed separately. As the Organization's leases do not generally provide a readily determinable implicit interest rate, the Organization uses the risk-free rate commensurate with the respective terms of the leases to discount the lease 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.

#### **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.

#### **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

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**Notes to the Financial Statements  
For the Year Ended December 31, 2023  
(With Comparative Totals for the Year Ended December 31, 2022)**

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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, 2022, from which the summarized information was derived.

**Recent Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the probable incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses on financial instruments and other commitments to extend credit. The provisions of ASU No. 2016-13, as amended, are effective for the Organization beginning during the year ending December 31, 2024. Management is currently evaluating the impact of this update on its financial statements.

**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.

**Subsequent Events**

The Organization has evaluated subsequent events and has concluded that as of September 10, 2024, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

**NOTE 3: INVESTMENTS**

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 309,092	\$ 180,559
Certificates of deposit	-	249,696
Fixed income	2,588,372	2,505,871
Equities	<u>245,219</u>	<u>1,173,491</u>
Total	<u>\$ 3,142,683</u>	<u>\$ 4,109,617</u>

Investment activity consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 97,968	\$ 82,977
Realized and unrealized gains (loss)	157,761	(572,101)
Less: Investment fees	<u>(22,663)</u>	<u>(27,923)</u>
Total	<u>\$ 233,066</u>	<u>\$ (517,047)</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, 2023:

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**Notes to the Financial Statements  
For the Year Ended December 31, 2023  
(With Comparative Totals for the Year Ended December 31, 2022)**

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AAA	\$ 221,014
AA	687,314
A	835,720
BBB	<u>844,324</u>
Total	<u>\$ 2,588,372</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, 2023.

**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 value 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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 309,092	\$ -	\$ 309,092
Fixed income			
Corporate bonds	-	2,011,541	2,011,541
Government bonds	-	576,832	576,832
Equities			
Consumer goods	52,380	-	52,380
Energy	2,756	-	2,756
Financial services	28,949	-	28,949
Healthcare	29,196	-	29,196
Materials and industrial	31,751	-	31,751
Real estate	10,468	-	10,468
Technology	69,365	-	69,365
Telecomm and utilities	<u>20,353</u>	<u>-</u>	<u>20,353</u>
Total	<u>\$ 554,310</u>	<u>\$ 2,588,373</u>	<u>\$ 3,142,683</u>

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

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**Notes to the Financial Statements  
For the Year Ended December 31, 2023  
(With Comparative Totals for the Year Ended December 31, 2022)**

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*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: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 133,155	\$ 133,155
Website and software	56,680	56,680
Leasehold improvements	10,132	10,132
Less accumulated depreciation	<u>(163,651)</u>	<u>(147,471)</u>
Total	<u>\$ 36,316</u>	<u>\$ 52,496</u>

**NOTE 6: 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, 2023:

Beginning balance	\$ 578,577
New deferred revenue	779,027
Revenue recognized	<u>(455,182)</u>
Ending balance	<u>\$ 902,422</u>

**NOTE 7: COMMITMENTS**

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

2024	\$ 26,486
Less amounts considered interest	<u>(110)</u>
Total	<u>\$ 26,376</u>
Weighted-average remaining lease term	0.1 year
Weighted-average discount rate	5.0%

Rent payments for the years ended December 31, 2023 and 2022 totaled \$323,875 and \$317,584, respectively.



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**NOTE 8: CONTINGENCIES**

**Compliance with Donor Restrictions**

Certain grant awards and donations require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

**NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Purpose restricted	\$ 1,269,873	\$ 1,231,097
Time restricted	<u>418,750</u>	<u>163,940</u>
Total	<u>\$ 1,688,623</u>	<u>\$ 1,395,037</u>

**NOTE 10: CONCENTRATIONS**

**Concentration of Credit Risk**

At times, the Organization may have deposits in excess of federally insured limits. The Organization may be subject to credit risk or delayed fund access for amounts in excess of insured limits in the event of bank failure.

**Contribution Receivable**

Contribution receivable are amounts due which the Organization has been awarded. Approximately 60% of contribution receivable were from one funder as of December 31, 2023.

**Support**

Two foundation funders provided approximately 40% of total support during the year ending December 31, 2023.

**NOTE 11: 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, 2023, 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 \$124,265 and \$112,738 at December 31, 2023 and 2022, respectively.

**NOTE 12: 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

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of the related grant conditions. As of December 31, 2023 conditional grants consisted of the following:

<u>Grant</u>	<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>
Grant I	\$1,800,000	\$1,200,000	\$600,000
Grant II	\$300,000	\$100,000	\$200,000

**NOTE 13: 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, 2023 are:

Cash and cash equivalents	\$ 711,567
Investments	3,142,683
Accounts receivable, current portion	12,490
Contributions receivable, current portion	667,085
Less purpose-restricted net assets	(1,269,873)
Less board designated reserve	<u>(2,000,000)</u>
Total	<u>\$ 1,263,952</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.