
CENTER FOR ENVIRONMENTAL HEALTH

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to 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 balance sheet as of December 31, 2015, and the related statements of activity, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Environmental Health as of December 31, 2015, and the results of its' operations 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in cursive script, reading "Crosby + Kaneda".

Certified Public Accountants

Oakland, California

May 13, 2016

CENTER FOR ENVIRONMENTAL HEALTH

**Statement of Financial Position
December 31, 2015
(With Comparative Totals as of December 31, 2014)**

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 560,839	\$ 413,175
Investments (Note 3)	4,419,666	4,081,984
Accounts receivable	100,733	374,312
Grants and pledges receivable	-	229,717
Prepaid expenses	46,250	39,829
Total Current Assets	<u>5,127,488</u>	<u>5,139,017</u>
Property and equipment, net (Note 5)	47,907	51,041
Deposits	<u>10,029</u>	<u>10,029</u>
Total Assets	<u>\$ 5,185,424</u>	<u>\$ 5,200,087</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 227,836	\$ 234,206
Grants payable	65,224	71,711
Vacation and sabbatical accrual	75,989	56,363
Deferred revenue	320,927	386,316
Total Liabilities	<u>689,976</u>	<u>748,596</u>
Commitments and Contingency (Notes 6 and 7)		
Net Assets		
Unrestricted		
Board-designated (Note 9)	1,500,000	1,500,000
Undesignated	<u>2,722,761</u>	<u>2,749,304</u>
Total Unrestricted	4,222,761	4,249,304
Temporarily restricted (Note 8)	<u>272,687</u>	<u>202,187</u>
Total Net Assets	<u>4,495,448</u>	<u>4,451,491</u>
Total Liabilities and Net Assets	<u>\$ 5,185,424</u>	<u>\$ 5,200,087</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

**Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)**

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
Support and Revenue				
Support				
Foundation and corporate support	\$ 246,600	\$ 532,500	\$ 779,100	\$ 328,100
Contributions	207,287		207,287	144,701
Special event, net (Note 11)	191,723		191,723	181,061
Total Support	<u>645,610</u>	<u>532,500</u>	<u>1,178,110</u>	<u>653,862</u>
Revenue				
Awards and settlements	1,360,245		1,360,245	1,580,396
Testing and other fees	1,047,129		1,047,129	752,244
Investment activity (Note 3)	10,423		10,423	128,848
Other	22,494		22,494	15,044
Total Revenue	<u>2,440,291</u>	<u>-</u>	<u>2,440,291</u>	<u>2,476,532</u>
Net assets released from donor restriction (Note 8)	462,000	(462,000)	-	-
Total Support and Revenue	<u>3,547,901</u>	<u>70,500</u>	<u>3,618,401</u>	<u>3,130,394</u>
Expenses				
Program	2,794,259		2,794,259	2,362,206
Management and general	206,419		206,419	267,793
Fundraising	573,766		573,766	444,111
Total Expenses	<u>3,574,444</u>	<u>-</u>	<u>3,574,444</u>	<u>3,074,110</u>
Change in Net Assets	(26,543)	70,500	43,957	56,284
Net Assets, beginning of year	<u>4,249,304</u>	<u>202,187</u>	<u>4,451,491</u>	<u>4,395,207</u>
Net Assets, end of year	<u>\$ 4,222,761</u>	<u>\$ 272,687</u>	<u>\$ 4,495,448</u>	<u>\$ 4,451,491</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Cash Flows
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 43,957	\$ 56,284
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	22,290	21,067
Donated stock	(2,259)	-
Investment activity	(10,423)	(39,450)
Change in assets and liabilities:		
Accounts receivable	273,579	(249,972)
Grant and pledge receivables	229,717	345,283
Prepaid expenses	(6,421)	(8,488)
Deposits	-	(2,250)
Accounts payable and accrued expenses	(6,370)	120,961
Grants payable	(6,487)	41,278
Vacation and sabbatical accrual	19,626	(17,654)
Deferred revenue	(65,389)	57,020
Net cash provided (used) by operating activities	491,820	324,079
Cash flows from investing activities		
Purchases of property and equipment	(19,156)	-
Purchases of investments	(575,000)	(1,625,018)
Proceeds from sale of investments	250,000	1,130,242
Net cash provided (used) by investing activities	(344,156)	(494,776)
Net change in cash and cash equivalents	147,664	(170,697)
Cash and cash equivalents, beginning of year	413,175	583,872
Cash and cash equivalents, end of year	\$ 560,839	\$ 413,175

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

**Statement of Functional Expenses
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)**

	Program	Management and general	Fundraising	Total	
				2015	2014
Salaries	\$ 1,273,402	\$ 94,759	\$ 326,116	\$ 1,694,277	\$ 1,438,993
Retirement benefits	42,257	4,162	10,783	57,202	56,768
Other employee benefits	132,105	10,187	32,872	175,164	148,860
Payroll taxes	99,626	7,369	24,975	131,970	114,136
Total Personnel	<u>1,547,390</u>	<u>116,477</u>	<u>394,746</u>	<u>2,058,613</u>	<u>1,758,757</u>
Grants	68,213	-	-	68,213	65,417
Legal	322,925	1,498	-	324,423	231,206
Accounting	-	38,892	-	38,892	61,061
Contract services	394,744	12,174	60,211	467,129	362,596
Research and testing services	137,827	59	193	138,079	104,529
Supplies	20,962	1,638	27,948	50,548	31,935
Telephone and internet	17,366	1,143	2,962	21,471	19,584
Postage and mailing	4,689	313	5,653	10,655	4,900
Printing and reproduction	5,478	55	14,969	20,502	34,116
Equipment rental and maintenance	13,695	732	1,265	15,692	103
Information technology	24,878	1,881	4,939	31,698	29,298
Occupancy	130,482	9,923	26,054	166,459	155,740
Travel and meals	68,615	232	5,702	74,549	53,823
Training and conferences	4,307	5,782	5,939	16,028	82,746
Depreciation	17,472	1,329	3,489	22,290	21,067
Insurance	135	13,959	27	14,121	11,718
Dues, licenses, service fees	14,790	320	19,568	34,678	25,545
Miscellaneous	291	12	101	404	19,969
Total Expenses	<u>\$ 2,794,259</u>	<u>\$ 206,419</u>	<u>\$ 573,766</u>	<u>\$ 3,574,444</u>	<u>\$ 3,074,110</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

NOTE 1: NATURE OF ACTIVITIES

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

Public Interest Litigation Program

The Organization's Public Interest Litigation Program 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.

Bridging Environmental Health and Justice Program

The Organization's Bridging Environmental Health and Justice Program supports efforts led by low-income communities to protect residents and workers from toxic chemicals.

Policy Program

The Organization's Policy Program works with coalitions, other non-profit organizations, and local, state, and federal agencies to help the government draft, implement, and enforce sensible public health regulations on toxic chemicals.

Pollution Prevention Program

The Organization's Pollution Prevention Program works to protect people from toxic flame retardant chemicals and from toxic chemicals related to oil and gas development.

Public Education Program

The Organization's Public Education Program is a resource for environmental health information, sharing effective ways for individuals to reduce their exposures to toxic chemicals and participate in corporate, legislative, and other campaigns that protect public health.

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).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements For the Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

Temporarily restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of December 31, 2015.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts, Grants, and Pledges Receivable

The Organization considers all accounts, grants, and pledges receivable to be fully collectible at December 31, 2015. 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.

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 Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2015 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.

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Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

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, 2015.

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 investment 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

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. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

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Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

Deferred Revenue

Deferred revenue represents advance payments for fashion accessories testing.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2014, 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.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of May 13, 2016 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: INVESTMENTS

The fair value of investments consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Certificates of deposit	\$ 900,087	\$ 1,140,313
Cash held for investment and treasuries	3,487,261	2,289,124
Domestic equities	2,259	652,547
Mutual funds – fixed income	<u>30,059</u>	<u>-</u>
Total	<u>\$ 4,419,666</u>	<u>\$ 4,081,984</u>

Investment activity consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 57,869	\$ 89,398
Realized and unrealized gains (loss)	(30,964)	54,741
Investment management fees	<u>(16,482)</u>	<u>(15,291)</u>
Total	<u>\$ 10,423</u>	<u>\$ 128,848</u>

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**Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)**

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 of assets measured on recurring basis were as follows as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Domestic equities	\$ 2,259	\$ -	\$ 2,259
Mutual Funds - fixed income	30,059	-	30,059
Cash and cash equivalents	3,487,261		3,487,261
Certificates of Deposit	<u>-</u>	<u>900,087</u>	<u>900,087</u>
Total	<u>\$ 3,519,579</u>	<u>\$ 900,087</u>	<u>\$ 4,419,666</u>

Cash held for investment was valued at cost.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 73,013	\$ 53,858
Website and software	63,575	63,575
Less: Accumulated depreciation	<u>(88,681)</u>	<u>(66,392)</u>
Total	<u>\$ 47,907</u>	<u>\$ 51,041</u>

NOTE 6: COMMITMENTS

The Organization is party to leases for office space in Oakland which expire in July 2021 and June 2016. The future minimum operating lease payments are as follows at December 31:

2016	\$ 176,035
2017	199,625
2018	205,613
2019	211,782
2020	218,134

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**Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)**

Thereafter	<u>129,445</u>
Total	<u>\$ 1,140,634</u>

Rent payments for the years ended December 31, 2015 and 2014 totaled \$166,459 and \$155,740, respectively.

NOTE 7: 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 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows on December 31:

	<u>2015</u>	<u>2014</u>
Bridging Environment, Health and Justice	\$ 2,187	\$ 2,187
Litigation	100,000	-
Flame Retardant	60,000	-
Policy	23,000	-
Energy	<u>87,500</u>	<u>-</u>
Total purpose restrictions	272,687	2,187
Restricted for future operations	<u>-</u>	<u>200,000</u>
Total	<u>\$ 272,687</u>	<u>\$ 202,187</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes and time restrictions specified by donors as follows:

	<u>2015</u>	<u>2014</u>
Litigation	\$ 40,000	\$ -
Flame Retardant	92,500	-
Policy	42,000	50,000
Energy	<u>87,500</u>	<u>140,000</u>
Total purpose restriction fulfilled	262,000	190,000
Passage of time	<u>200,000</u>	<u>150,000</u>
Total	<u>\$ 462,000</u>	<u>\$ 340,000</u>

NOTE 9: BOARD-DESIGNATED NET ASSETS

As of December 31, 2015 and 2014, the Board of Directors designated \$1,500,000 in unrestricted net assets for an operating reserve.

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

NOTE 10: PENSION

The Organization has a defined contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). All full time employees become eligible for participation after six months of employment and contributions are 100% vested. The Organization matches employee contributions based on the following formula: 100% of elective deferral contribution amounts up to 5% of compensation. Total contributions made by the Organization for the years ended December 31, 2015 and 2014 were \$57,202 and \$56,768, respectively.

NOTE 11: SPECIAL EVENT

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

	<u>2015</u>	<u>2014</u>
Admission	\$ 21,750	\$ 49,000
Donations and sponsorships	239,382	190,434
Less: Costs of direct donor benefit	<u>(69,409)</u>	<u>(58,373)</u>
Total	<u>\$ 191,723</u>	<u>\$ 181,061</u>