
CENTER FOR ENVIRONMENTAL HEALTH

FINANCIAL STATEMENTS

DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Oakland, California

June 7, 2017

CENTER FOR ENVIRONMENTAL HEALTH

**Statement of Financial Position
December 31, 2016
(With Comparative Totals as of December 31, 2015)**

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 294,170	\$ 560,839
Investments (Note 3)	4,191,712	4,419,666
Accounts receivable	113,040	100,733
Grants and pledges receivable	340,000	-
Prepaid expenses	85,922	46,250
Total Current Assets	<u>5,024,844</u>	<u>5,127,488</u>
Property and equipment, net (Note 5)	29,610	47,907
Deposits	<u>21,450</u>	<u>10,029</u>
Total Assets	<u>\$ 5,075,904</u>	<u>\$ 5,185,424</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 147,102	\$ 227,836
Grants payable	55,928	65,224
Vacation accrual	88,107	75,989
Deferred revenue	289,625	320,927
Total Liabilities	<u>580,762</u>	<u>689,976</u>
Commitments and Contingency (Notes 6 and 7)		
Net Assets		
Unrestricted		
Board-designated (Note 9)	1,500,000	1,500,000
Undesignated	<u>2,401,442</u>	<u>2,722,761</u>
Total Unrestricted	3,901,442	4,222,761
Temporarily restricted (Note 8)	<u>593,700</u>	<u>272,687</u>
Total Net Assets	<u>4,495,142</u>	<u>4,495,448</u>
Total Liabilities and Net Assets	<u>\$ 5,075,904</u>	<u>\$ 5,185,424</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Activities
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Support and Revenue				
Support				
Foundation and corporate support	\$ 225,870	\$ 989,813	\$ 1,215,683	\$ 779,100
Contributions	303,826		303,826	207,287
Special event, net	-		-	191,723
Total Support	<u>529,696</u>	<u>989,813</u>	<u>1,519,509</u>	<u>1,178,110</u>
Revenue				
Awards and settlements	1,259,489		1,259,489	1,360,245
Testing and other fees	746,395		746,395	1,047,129
Other	14,155		14,155	22,494
Total Revenue	<u>2,020,039</u>	<u>-</u>	<u>2,020,039</u>	<u>2,429,868</u>
Net assets released from donor restriction (Note 8)	668,800	(668,800)	-	-
Total Support and Revenue	<u>3,218,535</u>	<u>321,013</u>	<u>3,539,548</u>	<u>3,607,978</u>
Expenses				
Program	2,726,344		2,726,344	2,794,259
Management and general	267,134		267,134	206,419
Fundraising	604,472		604,472	573,766
Total Expenses	<u>3,597,950</u>	<u>-</u>	<u>3,597,950</u>	<u>3,574,444</u>
Change in Net Assets, from operations	(379,415)	321,013	(58,402)	33,534
Investment activity (Note 3)	58,096		58,096	10,423
Change in Net Assets	<u>(321,319)</u>	<u>321,013</u>	<u>(306)</u>	<u>43,957</u>
Net Assets, beginning of year	<u>4,222,761</u>	<u>272,687</u>	<u>4,495,448</u>	<u>4,451,491</u>
Net Assets, end of year	<u>\$ 3,901,442</u>	<u>\$ 593,700</u>	<u>\$ 4,495,142</u>	<u>\$ 4,495,448</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (306)	\$ 43,957
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	18,297	22,290
Donated stock	(13,949)	(2,259)
Investment activity	(58,096)	(10,423)
Change in assets and liabilities:		
Accounts receivable	(12,307)	273,579
Grant and pledge receivables	(340,000)	229,717
Prepaid expenses	(39,672)	(6,421)
Deposits	(11,421)	-
Accounts payable and accrued expenses	(80,734)	(6,370)
Grants payable	(9,296)	(6,487)
Vacation accrual	12,118	19,626
Deferred revenue	(31,302)	(65,389)
Net cash provided (used) by operating activities	(566,668)	491,820
Cash flows from investing activities		
Purchases of property and equipment	-	(19,156)
Purchases of investments	-	(575,000)
Proceeds from sale of investments	299,999	250,000
Net cash provided (used) by investing activities	299,999	(344,156)
Net change in cash and cash equivalents	(266,669)	147,664
Cash and cash equivalents, beginning of year	560,839	413,175
Cash and cash equivalents, end of year	\$ 294,170	\$ 560,839

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

**Statement of Functional Expenses
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)**

	Program	Management and general	Fundraising	Total	
				2016	2015
Salaries	\$ 1,336,150	\$ 121,402	\$ 319,025	\$ 1,776,577	\$ 1,694,277
Retirement benefits	51,598	4,706	12,370	68,674	57,202
Other employee benefits	134,503	15,991	31,002	181,496	175,164
Payroll taxes	103,142	9,294	24,536	136,972	131,970
Total Personnel	<u>1,625,393</u>	<u>151,393</u>	<u>386,933</u>	<u>2,163,719</u>	<u>2,058,613</u>
Grants	216,208	-	-	216,208	68,213
Legal	204,636	288	-	204,924	324,423
Accounting	-	51,606	-	51,606	38,892
Contract services	200,645	12,011	87,333	299,989	467,129
Research and testing services	96,150	-	-	96,150	138,079
Advertising and promotion	2,399	-	-	2,399	-
Supplies and office expense	77,259	5,989	9,967	93,215	118,868
Information technology	29,049	2,584	4,020	35,653	31,698
Occupancy	160,173	14,477	31,264	205,914	166,459
Travel and meals	73,224	1,679	64,624	139,527	74,549
Training and conferences	7,411	9,845	2,199	19,455	16,028
Depreciation	14,863	1,343	2,091	18,297	22,290
Insurance	247	14,728	28	15,003	14,121
Dues, licenses, service fees	14,543	732	14,997	30,272	34,678
Recruitment	4,030	458	933	5,421	-
Miscellaneous	114	1	83	198	404
Total Expenses	<u>\$ 2,726,344</u>	<u>\$ 267,134</u>	<u>\$ 604,472</u>	<u>\$ 3,597,950</u>	<u>\$ 3,574,444</u>

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

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 Toxic Chemicals and Heavy Metals

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, Flame Retardant Chemicals

CEH (1) educates people about ways they can protect themselves from the serious and largely overlooked health threats associated with exposure to highly toxic, flame retardant chemicals and (2) creates a market for furniture made without these ubiquitous and ineffective chemicals.

Protecting People from Toxic Chemicals Related to Oil & Gas Development

CEH (1) educates people about the health effects of oil and gas extraction, (2) supports communities imperiled by oil and gas extraction and distribution, and (3) elevates the national dialog about the largely overlooked health threats that accompany oil and gas development.

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, 2016 (With Comparative Totals for the Year Ended December 31, 2015)

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, 2016.

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, 2016. 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, 2016 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, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

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, 2016.

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.

Deferred Revenue

Deferred revenue represents advance payments for fashion accessories testing.

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**Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)**

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, 2015, 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 June 7, 2017 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>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 298,618	\$ 3,487,261
Certificates of deposit	920,270	900,087
Fixed Income	1,694,018	30,059
Domestic equities	<u>1,278,806</u>	<u>2,259</u>
Total	<u>\$ 4,191,712</u>	<u>\$ 4,419,666</u>

Investment activity consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 54,142	\$ 57,869
Realized and unrealized gains (loss)	25,391	(30,964)
Investment management fees	<u>(21,437)</u>	<u>(16,482)</u>
Total	<u>\$ 58,096</u>	<u>\$ 10,423</u>

Fixed income ratings and duration

Ratings (omitting +/-) for the Organization's corporate bond holdings using Standard and Poor's were as follows as of December 31, 2016:

AAA	\$ 155,546
AA	399,779

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**Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)**

A	221,033
BBB	<u>917,660</u>
Total	<u>\$ 1,694,018</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, 2016.

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 recurring basis were as follows as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 298,618	\$ -	\$ 298,618
Certificates of deposit	-	920,270	920,270
Fixed income			
Agency securities	-	200,788	200,788
Corporate bonds	-	1,493,230	1,493,230
Domestic equities			
Materials and industrial goods	200,041	-	200,041
Consumer	278,944	-	278,944
Healthcare	183,704	-	183,704
Financial services	206,959	-	206,959
Technology	283,488	-	283,488
Telecom and utilities	76,028	-	76,028
Real estate	<u>49,642</u>	<u>-</u>	<u>49,642</u>
Total	<u>\$ 1,577,424</u>	<u>\$ 2,614,288</u>	<u>\$ 4,191,712</u>

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**Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)**

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 73,012	\$ 73,013
Website and software	63,575	63,575
Less: Accumulated depreciation	<u>(106,977)</u>	<u>(88,681)</u>
Total	<u>\$ 29,610</u>	<u>\$ 47,907</u>

NOTE 6: COMMITMENTS

The Organization is party to leases for office space in Oakland and other locations which expire through July 2021. Future minimum operating lease payments are as follows for the years ending December 31:

2017	\$ 222,145
2018	205,613
2019	211,784
2020	218,135
2021	<u>129,448</u>
Total	<u>\$ 987,125</u>

Rent payments for the years ended December 31, 2016 and 2015 totaled \$205,914 and \$166,459, 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>2016</u>	<u>2015</u>
Bridging Environment, Health and Justice	\$ -	\$ 2,187
Coalitions	90,000	-
EDCs - Air, Food, & Water	263,700	-
Innovation	20,000	-
Litigation	-	100,000
Flame Retardant	50,000	60,000
Policy	-	23,000
Energy	<u>50,000</u>	<u>87,500</u>
Total purpose restrictions	<u>473,700</u>	<u>272,687</u>

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**Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)**

Restricted for future operations	<u>120,000</u>	<u>-</u>
Total	<u>\$ 593,700</u>	<u>\$ 272,687</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>2016</u>	<u>2015</u>
Litigation	\$ -	\$ 40,000
Childcare Centers	15,000	-
EDCs - Air, Food, & Water	26,300	-
Innovation	20,000	-
Litigation	100,000	-
Flame Retardant	372,000	92,500
Policy	23,000	42,000
Energy	<u>112,500</u>	<u>87,500</u>
Total purpose restriction fulfilled	668,800	262,000
Passage of time	<u>-</u>	<u>200,000</u>
Total	<u>\$ 668,800</u>	<u>\$ 462,000</u>

NOTE 9: BOARD-DESIGNATED NET ASSETS

As of December 31, 2016 and 2015, the Board of Directors designated \$1,500,000 in unrestricted net assets for an operating reserve.

NOTE 10: RETIREMENT PLAN

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, 2016 and 2015 were \$68,674 and \$57,202, respectively.

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, 2016, the amount was \$55,928. 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 in order to recommend grants to the community foundation. The balance of the fund was \$182,883 at December 31, 2016.