CENTER FOR ENVIRONMENTAL HEALTH

FINANCIAL STATEMENTS

DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

CENTER FOR ENVIRONMENTAL HEALTH

Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Center for Environmental Health
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Environmental Health, which comprise the statement of financial position as of December 31, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Center for Environmental Health's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby + Kaneda CPAs LLP

Oakland, California
July 3, 2019

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Financial Position
December 31, 2018
(With Comparative Totals as of December 31, 2017)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 1,104,097	$ 380,512
Investments (Note 3)	2,559,441	3,356,609
Accounts receivable	533,131	49,019
Grants and pledges receivable	347,648	125,320
Prepaid expenses	56,864	52,052
Total Current Assets	4,601,181	3,963,512
Grants and pledges receivable, noncurrent	125,000	-
Property and equipment, net (Note 5)	18,377	20,064
Deposits	13,650	13,650
Total Assets	$ 4,758,208	$ 3,997,226
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 112,014	$ 88,355
Vacation accrual	87,855	90,839
Accrued rent	58,517	-
Deferred revenue	693,230	255,001
Total Liabilities	951,616	434,195
Commitments and Contingency (Notes 6 and 7)		
Net Assets		
Without donor restrictions		
Undesignated	761,377	1,757,281
Board designated reserve	2,000,000	1,500,000
Total Without Donor Restrictions	2,761,377	3,257,281
With donor restrictions (Note 8)	1,045,215	305,750
Total Net Assets	3,806,592	3,563,031
Total Liabilities and Net Assets	$ 4,758,208	$ 3,997,226

See Notes to the Financial Statements

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Support and Revenue				
Support				
Foundation and corporate support	$ 265,966	$ 1,450,136	$ 1,716,102	$ 820,000
Contributions	148,826	84,746	233,572	254,628
Special event, net (Note 11)	82,728	30,600	113,328	127,092
Total Support	497,520	1,565,482	2,063,002	1,201,720
Revenue				
Awards and settlements	1,321,871		1,321,871	509,498
Testing and other fees	514,011		514,011	611,557
Other	29,144		29,144	22,704
Total Revenue	1,865,026	-	1,865,026	1,143,759
Support provided by expiring time and purpose restrictions	826,017	(826,017)	-	-
Total Support and Revenue	3,188,563	739,465	3,928,028	2,345,479
Expenses				
Program	2,744,966		2,744,966	2,628,238
Management and general	276,088		276,088	320,779
Fundraising	660,288		660,288	584,657
Total Expenses	3,681,342	-	3,681,342	3,533,674
Change in Net Assets, from operations	(492,779)	739,465	246,686	(1,188,195)
Investment activity, net (Note 3)	(3,125)		(3,125)	256,084
Change in Net Assets	(495,904)	739,465	243,561	(932,111)
Net Assets, beginning of year	3,257,281	305,750	3,563,031	4,495,142
Net Assets, end of year	$ 2,761,377	$ 1,045,215	$ 3,806,592	$ 3,563,031

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 243,561	$ (932,111)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation	9,547	9,546
Donated stock	(5,957)	(8,813)
Investment activity, net	3,125	(256,084)
Change in assets and liabilities:		
Accounts receivable	(484,112)	64,021
Grants and pledges receivables	(347,328)	214,680
Prepaid expenses	(4,812)	33,870
Deposits	-	7,800
Accounts payable and accrued expenses	23,659	(58,747)
Grants payable	-	(55,928)
Vacation accrual	(2,984)	2,732
Accrued rent	58,517	-
Deferred revenue	438,229	(34,624)
Net cash provided (used) by operating activities	(68,555)	(1,013,658)
Cash flows from investing activities		
Purchase of fixed assets	(7,860)	-
Proceeds from sale of investments	800,000	1,100,000
Net cash provided (used) by investing activities	792,140	1,100,000
Net change in cash and cash equivalents	723,585	86,342
Cash and cash equivalents, beginning of year	380,512	294,170
Cash and cash equivalents, end of year	$ 1,104,097	$ 380,512

CENTER FOR ENVIRONMENTAL HEALTH

Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Program	Management and general	Fundraising	Total 2018	Total 2017
Salaries	$ 1,635,176	$ 129,506	$ 355,494	$ 2,120,176	$ 1,904,116
Retirement benefits	64,124	5,113	13,544	82,781	73,641
Other employee benefits	122,279	13,601	25,009	160,889	163,316
Payroll taxes	121,606	9,887	25,807	157,300	144,497
Total personnel	1,943,185	158,107	419,854	2,521,146	2,285,570
Grants and contributions	-	-	-	-	5,408
Professional fees	277,930	60,037	116,451	454,418	453,455
Research and testing services	115,918	-	-	115,918	178,176
Advertising and promotion	4,182	-	2,455	6,637	16,596
Supplies and office expense	38,595	5,036	48,972	92,603	103,361
Information technology	23,470	1,935	4,416	29,821	32,865
Occupancy	233,275	19,234	43,888	296,397	241,246
Travel and meals	66,586	1,375	4,875	72,836	88,778
Training and conferences	2,605	13,440	590	16,635	24,252
Depreciation	7,514	620	1,413	9,547	9,546
Insurance	-	12,465	-	12,465	15,190
Dues, licenses, service fees	28,953	1,005	16,913	46,871	39,319
Miscellaneous	2,753	2,834	461	6,048	39,912
Total expenses by function	$ 2,744,966	$ 276,088	$ 660,288	$ 3,681,342	$ 3,533,674
Expenses reported on a net basis on statement of activities:					
Event expenses	-	-	94,128	94,128	130,403
Total expenses	$ 2,744,966	$ 276,088	$ 754,416	$ 3,775,470	$ 3,664,077

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 donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of December 31, 2018.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants, or settlements which the Organization has been awarded. The Organization considers all accounts receivable to be fully collectible at December 31, 2018. 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 pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under 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, 2018 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, 2018.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents held in investments accounts for investment purposes are treated as part of investment balances for purposes of the statement of cash flows.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over $5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3-5 years
Website and software	3 years

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 a combination of unexpended additional settlement payments from Proposition 65 enforcement plus advance payments for compliance testing of fashion accessories.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on semi-monthly timesheets prepared by employees or their supervisors, who report their effort by functional area.

Shared costs (such as occupancy, office management, information technology, supplies, equipment rental, depreciation, and telecommunications) are allocated to functional areas on the basis of full-time equivalents.

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Changes in Accounting Principles

The Organization implemented Accounting Standards Update 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions. The financial statements include an additional disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class:	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 3,257,281	$ -
Temporarily restricted net assets	305,750	-
Net assets without donor restrictions	-	3,257,281
Net assets with donor restrictions	-	305,750
Total	$ 3,563,031	$ 3,563,031

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, 2017, 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 July 3, 2019 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:

	2018	2017
Cash and cash equivalents	$ 36,686	$ 209,333
Certificates of deposit	-	619,882
Fixed income	1,581,282	1,472,244
Domestic equities	941,473	1,055,150
Total	$ 2,559,441	$ 3,356,609

Investment activity consisted of the following at December 31:

	2018	2017
Interest and dividends	$ 61,012	$ 71,832
Realized and unrealized gains (loss)	(45,475)	205,142
Investment management fees	(18,662)	(20,890)
Total	$ (3,125)	$ 256,084

Fixed Income Ratings and Duration

Ratings (omitting +/-) for the Organization's corporate bond holdings using Standard and Poor's or equivalent, were as follows as of December 31, 2018:

AAA	$ 321,434
AA	695,611
A	200,510
BBB	297,795
Total	$ 1,515,350

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, 2018.

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, 2018:

	Level 1	Level 2	Total
Cash and cash equivalents	$ 36,686	$ -	$ 36,686
Fixed income			
Corporate bonds	-	967,748	967,748
Government bonds	-	448,762	448,762
Municipal bonds	-	98,840	98,840
Exchange traded funds	65,932	-	65,932
Domestic equities			
Consumer goods	210,448	-	210,448
Financial services	133,678	-	133,678
Healthcare	168,684	-	168,684
Materials and industrial	141,242	-	141,242
Real estate	39,010	-	39,010
Technology	147,101	-	147,101
Telecomm and utilities	101,310	-	101,310
Total	$ 1,044,091	$ 1,515,350	$ 2,559,441

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2018	2017
Furniture and equipment	$ 52,526	$ 52,526
Website and software	71,435	63,575
Less: Accumulated depreciation	(105,584)	(96,037)
Total	$ 18,377	$ 20,064

NOTE 6: 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:

2019	$ 211,782
2020	238,300
2021	282,417
2022	303,084
2023	312,255
Thereafter	185,405
Total	$ 1,533,243

Rent payments for the years ended December 31, 2018 and 2017 totaled $237,880 and $241,248, 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: NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Purpose restricted	$ 830,299	$ 268,750
Fiscal projects	9,570	-
Time restricted	205,346	37,000
Total	$ 1,045,215	$ 305,750

NOTE 9: 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 up to 5% of compensation. Total contributions made by the Organization for the years ended December 31, 2018 and 2017 were $82,781 and $73,641, respectively.

NOTE 10: 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, 2018, 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 $92,319 and $166,119 at December 31, 2018 and 2017, respectively.

NOTE 11: SPECIAL EVENT

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

	2018	2017
Admissions	$ 29,700	$ 33,500
Donations and sponsorships	177,756	223,995
Less: Costs of direct donor benefit	(94,128)	(130,403)
Total	$ 113,328	$ 127,092

NOTE 12: CHANGE IN ASSETS WITHOUT DONOR RESTRICTIONS

Changes in net assets without donor restrictions for the years ended December 31, 2018 and 2017 were $(495,904) and $(644,161), respectively. The board of directors authorized and planned for this decrease as an investment in the implementation of the Organization's strategic plan. This investment was possible due to a significant accumulation of net assets in prior years.

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, 2018 are:

Financial assets:	
Cash and cash equivalents	$ 1,104,097
Accounts receivable	533,131
Investments	2,559,441
Grants and pledges receivable	472,648
Total financial assets	$ 4,669,317
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(839,869)
Less financial assets not available within one year:	
Grants and pledges receivable, noncurrent	(125,000)

Less board designated reserve	(2,000,000)
Amount available for general expenditures within one year	$ 1,704,448

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.