



## Financial Report

June 30, 2023



# Contents

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the Environmental Health Coalition

### **Opinion**

We have audited the accompanying financial statements of the Environmental Health Coalition (EHC), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows 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 Environmental Health Coalition as of June 30, 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 Environmental Health Coalition 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 Environmental Health Coalition'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 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 Environmental Health Coalition'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 Environmental Health Coalition'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 Environmental Health Coalition's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



WEST RHODE & ROBERTS

San Diego, California  
October 27, 2023

**ENVIRONMENTAL HEALTH COALITION**

## STATEMENT OF FINANCIAL POSITION

June 30, 2023

*(With summarized financial information for June 30, 2022)*

	2023	2022 (Note 13)
<b>Assets</b>		
Cash and cash equivalents	\$ 1,981,313	\$ 2,225,872
Grants and other receivables	529,004	311,999
Prepaid grant to CEJA	2,424,701	
Prepaid and other expenses	91,413	73,594
Certificates of deposit	229,214	228,299
Right of use asset	159,216	-
Long-term investments	2,257,122	4,718,936
Property and equipment, net	4,076	6,025
Total assets	<u>\$ 7,676,059</u>	<u>\$ 7,564,725</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 350,733	\$ 460,717
Deferred revenue	560,246	1,952,123
Lease liability	170,966	-
Total liabilities	<u>1,081,945</u>	<u>2,412,840</u>
Net assets:		
Without donor restrictions (Note 7)		
Board designated operating reserves - EHC	644,350	634,350
Board designated operating reserves - CEJA	2,000,000	1,502,519
Undesignated - EHC	970,423	904,745
Undesignated - CEJA	1,483,404	1,022,180
Total without donor restrictions	<u>5,098,177</u>	<u>4,063,794</u>
With donor restrictions (Note 8)		
Environmental Health Coalition	873,020	506,498
California Environmental Justice Alliance	622,917	581,593
Total with donor restrictions	<u>1,495,937</u>	<u>1,088,091</u>
Total net assets	<u>6,594,114</u>	<u>5,151,885</u>
Total liabilities and net assets	<u>\$ 7,676,059</u>	<u>\$ 7,564,725</u>

**ENVIRONMENTAL HEALTH COALITION**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

*(With summarized financial information for the year ended June 30, 2022)*

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total 2023</u>	<u>2022 (Note 13)</u>
<b>Operating Activities:</b>				
<b>Support and revenues</b>				
Foundation/grant revenue	\$ 7,263,515	1,436,354	\$ 8,699,869	\$ 6,865,429
Contributions	507,699	-	507,699	540,999
Reimbursed expenses	142,864	-	142,864	28,212
Other income	7,100	-	7,100	10,350
Special events	-	-	-	-
Net assets released from restriction (Note 9)	<u>1,028,508</u>	<u>(1,028,508)</u>	<u>-</u>	<u>-</u>
Total operating support and revenue	<u>8,949,686</u>	<u>407,846</u>	<u>9,357,532</u>	<u>7,444,990</u>
<b>Expenses</b>				
Program services:				
Climate Justice Campaign	833,910	-	833,910	688,379
Voter Empowerment Campaign	97,458	-	97,458	87,142
Border Environmental Justice Campaign	279,970	-	279,970	244,413
Toxic Free Neighborhoods	345,605	-	345,605	446,732
Healthy Kids Campaign	9,914	-	9,914	-
Air Quality Campaign	674,715	-	674,715	384,008
California Environmental Justice Alliance	<u>4,580,462</u>	<u>-</u>	<u>4,580,462</u>	<u>3,727,019</u>
Total program services	<u>6,822,034</u>	<u>-</u>	<u>6,822,034</u>	<u>5,577,693</u>
Supporting services:				
Management	908,510	-	908,510	686,502
Fundraising	<u>223,944</u>	<u>-</u>	<u>223,944</u>	<u>297,939</u>
Total operating expenses	<u>7,954,488</u>	<u>-</u>	<u>7,954,488</u>	<u>6,562,134</u>
Operating revenues and support in excess of expenses	<u>995,198</u>	<u>407,846</u>	<u>1,403,044</u>	<u>882,856</u>
<b>Non-Operating Activities:</b>				
Investment income	30,708	-	30,708	82,095
Realized and unrealized gain (loss), net	<u>8,477</u>	<u>-</u>	<u>8,477</u>	<u>(73,533)</u>
Total non-operating activities	<u>39,185</u>	<u>-</u>	<u>39,185</u>	<u>8,562</u>
Change in net assets	1,034,383	407,846	1,442,229	891,418
Net assets at beginning of year	<u>4,063,794</u>	<u>1,088,091</u>	<u>5,151,885</u>	<u>4,260,467</u>
Net assets at end of year	<u>\$ 5,098,177</u>	<u>\$ 1,495,937</u>	<u>\$ 6,594,114</u>	<u>\$ 5,151,885</u>

**ENVIRONMENTAL HEALTH COALITION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

*(With summarized financial information for the year ended June 30, 2022)*

	Program Services							Supporting Services			Total 2023	2022 (Note 13)	
	Climate Justice Campaign	Voter Empowerment Campaign	Border Environmental Justice Campaign	Toxic Free Neighborhoods	Healthy Kids Campaign	Air Quality Campaign	California Environmental Justice Alliance	Total Programs	Management and General	Fundraising			
<b>Expenses</b>													
Personnel													
Salaries & wages	\$ 413,648	\$ 74,936	\$ 185,398	\$ 198,372	\$ 6,996	\$ 469,157	\$ 1,256,253	\$ 2,604,760	\$ 483,971	\$ 142,443	\$ 3,231,174	\$ 2,776,528	
Payroll taxes and benefits	67,872	10,345	30,494	34,273	1,229	76,249	265,702	486,164	82,914	22,139	591,217	477,375	
Total personnel	481,520	85,281	215,892	232,645	8,225	545,406	1,521,955	3,090,924	566,885	164,582	3,822,391	3,253,903	
Mini grants	132,495	-	-	5,991	-	35,000	1,540,898	1,714,384	1,861	-	1,716,245	1,470,819	
Professional fees	43,864	-	8,743	1,610	52	6,209	757,311	817,789	91,425	12,506	921,720	594,672	
Fiscal agency fees	-	-	-	-	-	-	368,740	368,740	-	-	368,740	309,766	
Contract services	85,558	3,370	6,812	63,692	-	9,474	48,386	217,292	63,878	22,101	303,271	288,158	
Occupancy	42,689	-	27,102	23,885	-	51,740	61,970	207,386	71,727	18,212	297,325	267,511	
Program expenses	2,295	-	261	720	129	5,755	102,827	111,987	6,165	-	118,152	15,419	
Staff development and training	1,959	315	150	2,932	486	2,985	71,908	80,735	12,005	-	92,740	140,912	
Office and general expense	1,027	-	365	3,152	-	71	29,080	33,695	43,413	-	77,108	65,174	
Program supplies	10,733	2,729	643	5,788	616	5,475	2,589	28,573	22,274	338	51,185	32,457	
Dues and memberships	3,862	21	488	435	43	363	25,785	30,997	18,723	1,211	50,931	48,888	
Travel	5,532	88	2,077	363	-	3,408	25,299	36,767	345	57	37,169	6,559	
Telephone	2,358	3,368	3,262	1,463	245	2,727	12,812	26,235	3,224	948	30,407	27,852	
Stipends	15,505	-	11,720	-	-	2,273	-	29,498	-	-	29,498	15,680	
Insurance	3,890	-	2,455	2,219	105	3,048	5,241	16,958	4,035	1,873	22,866	16,226	
Printing and postage	623	2,286	-	710	13	781	5,661	10,074	601	2,116	12,791	6,257	
Depreciation	-	-	-	-	-	-	-	-	1,949	-	1,949	1,881	
Total expenditures	\$ 833,910	\$ 97,458	\$ 279,970	\$ 345,605	\$ 9,914	\$ 674,715	\$ 4,580,462	\$ 6,822,034	\$ 908,510	\$ 223,944	\$ 7,954,488	\$ 6,562,134	

**ENVIRONMENTAL HEALTH COALITION**

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

*(With summarized financial information for the year ended June 30, 2022)*

	2023	2022 (Note 13)
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,442,229	\$ 891,418
Adjustment to reconcile change in net assets to net cash from operating activities		
Depreciation	1,949	1,881
Realized and unrealized (gain) loss, net	(8,477)	73,533
Right of use asset	132,041	-
Changes in operating assets and liabilities		
Receivables	(217,005)	162,999
Prepaid grant to CEJA	(2,424,701)	
Prepaid and other expenses	(17,819)	(105,664)
Accounts payable and accrued expenses	(109,984)	(52,532)
Deferred revenue	(1,391,877)	796,295
Lease liability obligations	(120,291)	-
Net cash (used in) provided by operating activities	<u>(2,713,935)</u>	<u>1,767,930</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-	(6,195)
Maturities of certificates of deposit	(915)	638,045
Net purchase of long-term investments	<u>(254,396)</u>	<u>3,195,179</u>
Net cash (used in) provided by investing activities	<u>(255,311)</u>	<u>3,827,029</u>
Change in cash and cash equivalents	(2,969,246)	5,594,959
Beginning of year	5,880,282	285,323
End of year	<u>\$ 2,911,036</u>	<u>\$ 5,880,282</u>
<b>Cash and cash equivalents consist of</b>		
Cash and cash equivalents	\$ 1,981,313	\$ 2,225,872
Cash and cash equivalents included in investments	<u>929,723</u>	<u>3,654,410</u>
	<u>\$ 2,911,036</u>	<u>\$ 5,880,282</u>



# Environmental Health Coalition

## Notes to Financial Statements

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### Note 1. Organization and Significant Accounting Policies

#### Organization and Activities

Environmental Health Coalition (EHC) is a private, non-profit 501(c)(3) organization founded in 1980. Our Mission is:

Environmental Health Coalition is dedicated to environmental and social justice. We believe that justice is achieved when empowered communities act together to make social change. We organize and advocate to protect public health and the environment threatened by toxic pollution. EHC supports efforts that create a just society and which foster a healthy and sustainable quality of life.

EHC's work is focused primarily around five campaign areas:

- **Climate Justice Campaign** works to reduce greenhouse gas and toxic air contaminant emissions that contribute to climate change, promote sustainable energy and transportation justice throughout the San Diego/Tijuana Region
- **Voter Empowerment Campaign** works to increase the culture of voting in communities with historically low voter turnout and to educate voters about key issues
- **Border Environmental Justice Campaign** works to reduce industrial pollution, preserve natural resources, promote fair trade and globalization for justice
- **Toxic-Free Neighborhoods** organizes in communities of color to advocate for the prevention of toxic pollution from industrial and mobile sources
- **Air Quality Campaign** focuses in the San Diego region on the communities most at risk for poor air quality. These low-income communities of color have more than their share of industry, freeways, surface street traffic, and less than their share of parks, tree canopy, air conditioning, and clean transportation. Although air pollution affects us all, underserved neighborhoods are hit first and worst. EHC's three priority communities are all ranked in the top 25% of census tracts for pollution impact. The neighborhoods are also at the top in the County for traffic proximity and diesel particulate pollution with especially high risks for asthma. EHC is addressing this issue with campaigns to electrify the freight and transit systems.
- **Healthy Kids Campaign** works to reduce or eliminate environmental childhood health hazards and promote homes and communities that are safe, healthy, accessible and affordable.

EHC serves as the fiscal sponsor of California Environmental Justice Alliance (CEJA), a project dedicated to achieving environmental justice in California. EHC is responsible for receiving assets and incurring liabilities, providing all fiscal management, and providing human resources and employment services for all personnel employed to conduct CEJA activities.

#### Significant Accounting Policies

**Method of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation** – The financial statements of EHC have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require EHC to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of EHC. These net assets may be used at the discretion of EHC's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of EHC or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Environmental Health Coalition**

Notes to Financial Statements

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Measure of Operations** – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to EHC’s ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

**Revenue Recognition**

Foundation/Grant Revenues – Foundation/Grant Revenues received are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

Contract revenues are comprised of revenues classified as both exchange transactions and contributions. In accordance with Accounting Standards Codification ("ASC") 958, Not-for-Profit Entities, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, EHC reviews all contract agreements and determines whether the agreement qualifies as an exchange transaction or as a contribution. In cases where agreements are determined to be exchange transactions, EHC recognizes revenues as services are rendered and, if applicable, funds received in advance of services being rendered are classified as deferred revenue. Revenue is recognized in the period in which services are rendered and is presented as revenue without donor restrictions in the Statement of Activities.

In cases where agreements are determined to be contributions, the agreement is reviewed for barriers or restrictions and, if applicable, advanced payments are classified as deferred revenue until the barrier or restriction has been met. Revenue is recognized in the period in which all barriers and restrictions have been met and is presented as contract revenue without donor restrictions on the Statement of Activities.

Contributions - EHC reports contributions as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, revenues with donor restrictions are reclassified to revenues without donor restrictions and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as permanently restricted. The income earned from such assets is generally restricted to the purpose designated by the donor. Gifts not designated for a specific purpose are reported as increases in net assets without donor restrictions.

**Cash and Cash Equivalents** – Cash and cash equivalents include cash in the bank and highly liquid investments.

**Grants and other receivables** – Receivables consist of general receivables and amounts billed and unbilled on grants and service fee contracts for services provided through June 30, 2023. All receivables are reviewed for collectability and reserves for uncollectible amounts are recorded based on historical information and examination of specific individual accounts. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. Management has reviewed the collectability of receivables and determined that an allowance for uncollectability is not needed as of June 30, 2023.

**Long term Investments** – EHC reports investments at fair market value.

**Furniture, Equipment and Depreciation Method** – EHC capitalizes property and equipment over \$2,000. Lesser amounts are expensed. Furniture and equipment are recorded at cost, except for donated items, which are recorded at fair market value as of the date received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 to 7 years
Leasehold improvements	5 to 10 years

## Environmental Health Coalition

### Notes to Financial Statements

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EHC's depreciation expense was \$1,949 for the year ended June 30, 2023.

**Leases** – Under ASC 842, EHC determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. EHC does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**Functional Allocation of Expenses** – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the organization are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a programs or supporting service.

**Income Tax Status** - Environmental Health Coalition, a California not-for-profit corporation, is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, Accounting for Uncertainties in Income Taxes, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Tax positions for the open tax years as of June 30, 2023, were reviewed, and it was determined that EHC has no uncertain tax positions requiring accrual or disclosure.

**Use of Estimates** – The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recently Adopted Accounting Standards** – In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) that requires a lessee to recognize on the statement of financial position, a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, regardless of classification of a lease as an operating or finance lease. EHC adopted ASU 2016-02 on July 1, 2022, using the modified retrospective approach for operating leases with a term greater than 12 months. EHC also elected the package of practical expedients permitted under the new standard that allowed the EHC to carry forward historical lease classification for existing leases on the adoption date, and allowed EHC not to assess whether an existing contract contains a lease or initial direct costs. As permitted by the guidance, prior comparative periods will not be adjusted under this method. Consistent with EHC's lease capitalization policy, the new lease standard was not adopted for existing leases with terms beyond 12 months and monthly payments under \$1,000 as they do not have a material impact on the financial statements.

**Subsequent Events** – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. EHC recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. EHC's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

EHC has evaluated subsequent events through October 27, 2023, which is the date the financial statements are available for issuance, and concluded that the below event needs disclosed.

**Environmental Health Coalition**

Notes to Financial Statements

EHC has served as the fiscal agent for CEJA, overseeing and managing funds on its behalf. Following the end of the reporting period, a significant transition occurred. CEJA achieved its goal of obtaining tax-exempt status and subsequently incorporated as California Environmental Justice Alliance, Inc. In alignment with this change, EHC granted \$4,068,229 to CEJA, Inc. on July 1, 2023. This grant represents the funds that EHC held and managed while acting as CEJA’s fiscal agent. This transaction marks a pivotal moment in CEJA’s evolution, transitioning from operating under the fiscal sponsorship of EHC to functioning independently with its own tax-exempt status. The funds transferred ensure continuity in CEJA, Inc.’s operations and support its mission as it embarks on this new chapter.

Apart from the above event, there were no other events or transactions that need disclosed.

**Note 2. Liquidity and Availability of Resources**

EHC’s financial assets available for expenditure, that is without donor restrictions limiting their use within year of the statement of financial position date, are as follows:

Financial Assets	
Cash and cash equivalents	\$ 1,981,313
Grants and other receivables	529,004
Certificates of deposit	229,214
Long-term investments	<u>2,257,122</u>
Total financial assets available within one year	<u>4,996,653</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with time/purpose restrictions	<u>1,495,937</u>
Less: amounts unavailable to management without Board approval:	
Designated amounts from Board	<u>2,644,350</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 856,366</u>

EHC maintains policies of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**Note 3. Long-term Investments and Fair Value Measurements**

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. EHC uses a fair value hierarchy that to maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

The hierarchy for fair value measurement are described as follows:

- Level 1 - quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.
- Level 3 - unobservable inputs that cannot be corroborated by market data. These inputs reflect management’s best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following are descriptions of the valuation inputs and techniques that EHC utilizes to determine fair value for each major category of assets and liabilities.

## Environmental Health Coalition

### Notes to Financial Statements

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Due to the short-term nature of cash equivalents, other assets, accounts payable and accrued expenses, carrying value approximates fair value.

EHC's statement of financial position includes investments that are required to be measured at fair value on a recurring basis and as of June 30, 2023, are considered Level 1. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices.

The following table summarizes EHC's investments by type, including placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

	Fair Value Measurements at June 30, 2023, Using:			
	Level 1	Level 2	Level 3	Total
Long-term investments:				
Cash and cash equivalents	\$ 929,723	\$ -	\$ -	\$ 929,723
Fixed income	1,260,447	-	-	1,260,447
Mutual funds	66,952	-	-	66,952
Total	<u>\$ 2,257,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,257,122</u>

Investment income at June 30, 2023 is made up of \$30,708 in interest and dividends and \$8,477 in realized and unrealized losses.

The management of EHC is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of EHC has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with U.S GAAP.

#### Note 4. Property and Equipment

Property and equipment, as of June 30, 2023, is summarized as follows:

Furniture and equipment	\$ 45,325
Leasehold improvements	<u>14,563</u>
	59,888
Less accumulated depreciation	<u>(55,812)</u>
	<u>\$ 4,076</u>

#### Note 5. Deferred Revenue

Certain contracting agencies allow EHC to periodically request advanced funding for costs to be delivered and for project administration. As of June 30, 2023, total deferred revenue associated with these advances was \$560,246. In the case of exchange transactions, this advanced funding is released from deferred revenue when services are rendered.

#### Note 6. Leases

EHC evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent EHC's right to use underlying assets for the lease term, and the lease liabilities represent the EHC's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. EHC has made an accounting policy election to use US treasury rate as of July 1, 2022, to discount future lease payments. The US treasury rate applied to calculate lease liabilities was 2.88%. For the year ended June 30, 2023, total operating lease cost was \$139,130, and is included with rent expenses on the statement of functional expenses.

## Environmental Health Coalition

### Notes to Financial Statements

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Right-of-use assets at June 30, 2023 was \$159,216.

Future minimum base lease payments required under the lease agreement for the years ended June 30 is as follows:

Years ending June 30,	
2024	\$ 149,099
2025	24,971
Total lease payments	<u>174,070</u>
Less: discount to present value	(3,104)
Present value of lease liability	<u>\$ 170,966</u>

#### Note 7. Net Assets without Donor Restrictions

Net assets without donor restrictions is comprised of board designated amounts for the following purposes at June 30, 2023:

Operating Reserves - EHC	\$ 644,350
Operating Reserves - CEJA	2,000,000
Undesignated - EHC	970,423
Undesignated - CEJA	<u>1,483,404</u>
	<u>\$ 5,098,177</u>

#### Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions and other inflows received by EHC, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at June 30, 2023 are available for the following purposes or periods:

Time restricted/program support:	
Environmental Health Coalition	\$ 873,020
California Environmental Justice Alliance	<u>622,917</u>
	<u>\$ 1,495,937</u>

#### Note 9. Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions consist of the following at June 30, 2023:

Time restricted/program support	\$ 506,498
California Environmental Justice Alliance	<u>522,010</u>
	<u>\$ 1,028,508</u>

#### Note 10. Employee Benefit Plans

EHC has a 401(k)-plan covering substantially all employees. EHC made discretionary contributions of \$24,237 for its employees during the year ended June 30, 2023. Additionally, as Fiscal Agent for CEJA, EHC made discretionary contributions of \$54,354 for CEJA employees (see Note 12) during the year ended June 30, 2023.

#### Note 11. Risks and Uncertainties

Concentration of Credit Risk - At times, the EHC's bank accounts exceed federally insured limits. EHC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

## **Environmental Health Coalition**

### Notes to Financial Statements

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#### **Note 12. Related Parties**

EHC, under an “Agreement for an allocation of costs and reimbursement of expenses”, provides management, facilities and program services for the Environmental Health and Justice Campaign, a California non-profit 501(c)(4) organization (EHJC). The agreement requires EHJC reimburse EHC for these services. During the year ended June 30, 2023, EHJC reimbursed EHC \$17,828.

California Environmental Justice Alliance (CEJA), an organization fiscally sponsored by EHC generated Gross Revenues of \$5,539,164 during the year ended June 30, 2023. In the course of the fiscal sponsorship agreement, CEJA incurred fiscal sponsorship fees of \$368,740 which was paid to EHC for the year ended June 30, 2023.

CEJA, under an “Agreement for reimbursement of expenses” with the Advocacy Fund, a California non-profit 501(c)(4) organization is reimbursed for program services. During the year ended June 30, 2023, the Advocacy Fund reimbursed CEJA \$73,510.

#### **Note 13. June 30, 2022, Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with EHC’s financial statements for the year ended June 30, 2022, from which the summarized information was derived. Certain prior-year amounts have been reclassified to conform to the current year’s financial statement presentation. These reclassifications had no effect on the changes in net assets.