COMMUNITIES FOR A BETTER ENVIRONMENT

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
December 31, 2014
(WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED
December 31, 2013)

COMMUNITIES FOR A BETTER ENVIRONMENT

(NONPROFIT CALIFORNIA CORPORATIONS)

CONTENTS

December 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Communities for a Better Environment
(A Nonprofit Organization)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Communities for a Better Environment (a nonprofit organization) (the "Organization") which comprise the statement of financial position as of December 31, 2014, the related statements of activities, functional expenses and cash flows 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of 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 Communities for a Better Environment as of December 31, 2014 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 10, 2015

COMMUNITIES FOR A BETTER ENVIRONMENT

(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
December 31, 2014
(with Comparative Totals at December 31, 2013)

ASSETS

	2014	2013
Assets		
Cash and cash equivalents	$ 417,038	$ 920,380
Grants and contracts receivable	832,164	536,068
Other receivables	80,566	27,954
Prepaid expenses and other current assets	26,751	23,802
	1,356,519	1,508,204
Furniture and equipment, net of accumulated depreciation of $143,345 and $329,544	29,277	16,512
Deposits	11,049	11,014
Total assets	**$ 1,396,845**	**$ 1,535,730**

LIABILITIES AND NET ASSETS

	2014	2013
Liabilities		
Accounts payable and accrued expenses	$ 163,893	$ 178,332
Obligations under capital leases - current portion	4,032	6,030
Deferred rent	10,969	20,395
Total current liabilities	178,894	204,757
Obligations under capital leases - less current portion	16,852	1,508
Total liabilities	195,746	206,265
Commitments and contingencies (Note 5)		
Net assets		
Unrestricted	54,516	300,980
Temporarily restricted	1,146,583	1,028,485
Total net assets	1,201,099	1,329,465
Total liabilities and net assets	**$ 1,396,845**	**$ 1,535,730**

The accompanying notes are an integral part of these financial statements.

COMMUNITIES FOR A BETTER ENVIRONMENT

(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(with Comparative Totals for the Year Ended December 31, 2013)

	2014			
	Unrestricted	Temporarily Restricted	Total	2013
Revenue and support				
Grants and contributions	$ 250,949	$ 1,340,500	$ 1,591,449	$ 1,629,996
Litigation income	88,996	-	88,996	289,399
Federal contracts	106,172	-	106,172	298,908
Investment and other income	38,179	-	38,179	36,401
Net assets released from restrictions	1,222,402	(1,222,402)	-	-
Total revenue and support	1,706,698	118,098	1,824,796	2,254,704
Functional expenses				
Program services	1,486,071	-	1,486,071	1,376,507
Management and general	297,452	-	297,452	274,129
Fundraising	169,639	-	169,639	148,988
Total functional expenses	1,953,162	-	1,953,162	1,799,624
Change in net assets	(246,464)	118,098	(128,366)	455,080
Net assets, beginning of year	300,980	1,028,485	1,329,465	874,385
Net assets, end of year	**$ 54,516**	**$ 1,146,583**	**$ 1,201,099**	**$ 1,329,465**

The accompanying notes are an integral part of these financial statements.

COMMUNITIES FOR A BETTER ENVIRONMENT

(A NONPROFIT ORGANIZATION)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

(with Comparative totals for the Year Ended December 31, 2013)

	Program Services	Management and General	Fundraising	Total Expenses	2013
Payroll costs	$ 1,153,362	$ 205,218	$ 160,155	$ 1,518,735	$ 1,295,453
Accounting	-	29,766	-	29,766	26,410
Bank and finance charges	-	1,375	-	1,375	2,486
Campaign/research materials	3,301	-	-	3,301	14,973
Consultants	19,504	1,127	1,000	21,631	76,495
Direct mail	-	-	308	308	860
Earthshare/special events	-	-	1,576	1,576	3,549
Insurance	10,618	2,023	-	12,641	9,867
Litigation costs	6,190	-	-	6,190	3,773
Miscellaneous administrative	17,732	3,146	2,472	23,350	27,384
Office expenses	36,271	6,866	-	43,137	52,841
Other program costs	28,157	-	615	28,772	13,280
Printing and postage	14,810	2,821	3,340	20,971	21,614
Professional fees and training	30,729	5,766	88	36,583	57,552
Rent and occupancy	125,159	23,840	-	148,999	149,123
Travel and meetings	40,238	2,117	85	42,440	36,214
Depreciation	-	13,387	-	13,387	7,750
Total	**$ 1,486,071**	**$ 297,452**	**$ 169,639**	**$ 1,953,162**	**$ 1,799,624**

The accompanying notes are an integral part of these financial statements.

COMMUNITIES FOR A BETTER ENVIRONMENT

(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(with Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (128,366)	$ 455,080
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	13,387	7,750
(Increase) decrease in:		
Grants and contracts and other receivables	(348,708)	(421,617)
Prepaid expenses and other current assets	(2,949)	(22,711)
Deposits	(35)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(14,439)	61,772
Deferred rent	(9,426)	1,979
Net cash (used in) provided by operating activities	(490,536)	82,253
Cash flows from investing activities		
Purchase of property and equipment	(3,078)	(545)
Cash flows from financing activities		
Principal payments on capital lease obligations	(9,728)	(8,750)
Net (decrease) increase in cash and cash equivalents	(503,342)	72,958
Cash and cash equivalents, beginning of year	920,380	847,422
Cash and cash equivalents, end of year	**$ 417,038**	**$ 920,380**
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	**$ 1,163**	**$ 94**
Supplemental disclosure of non-cash financing activities		
Capital lease obligations incurred for use of equipment	**$ 23,074**	**$ -**

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION

Communities for a Better Environment ("CBE" or the "Organization"), a California nonprofit public benefit corporation, was incorporated and commenced operations on January 1, 1987. CBE operated from 1978 to 1987 as the California branch of Citizens for a Better Environment, an Illinois nonprofit corporation. CBE's primary purpose is to promote clean air, clean water and the development of toxin-free communities. It seeks to achieve this goal through technical research, litigation, policy advocacy and public education.

CBE pursues its mission by providing grassroots activism, environmental research and legal assistance within underserved urban communities and equips residents impacted by industrial pollution with the tools to inform, monitor and transform their immediate environment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The accompanying 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 the Organization's financial statements for the year ended December 31, 2013.

Classes of Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- *Unrestricted* – These include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Unrestricted net assets generally result from revenues generated by receiving unrestricted contributions, providing services and receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets (Continued)

- *Temporarily Restricted* – The Organization reports gifts of cash and other assets as temporarily restricted support 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 the purpose of the 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 program or capital restrictions.

- *Permanently Restricted* – These net assets are received by donors who stipulate that resources are to be maintained permanently but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization has no permanently restricted net assets at December 31, 2014 and 2013.

Revenue Recognition
Contributions and pledges are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions and pledges are recorded at their fair value as unrestricted support, temporarily restricted support or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is, when a stipulated restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Litigation income generally is recognized as revenue when binding contracts are signed or court orders are issued and all appeal options have been exhausted. Litigation costs consist primarily of contingent attorney's fees that are paid only when CBE receives a settlement and are accrued when the corresponding settlements are recognized as revenue.

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts and other circumstances. All receivables as of December 31, 2014 are expected to be collectible.

Use of Estimates
The preparation of financial statements in conformity with accounting principles in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
Cash and cash equivalents include all highly liquid investments purchased with an initial maturity of three months or less.

Property and Equipment
Property and equipment are recorded at cost or, if donated, at fair value at date of donation. Major improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Provision for the depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the related assets, which range from three to seven years.

Fair Value of Financial Instruments
Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs.

The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. If quoted prices in active markets for identical assets are not available to determine fair value, then they use quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risks
Financial instruments that potentially expose the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization maintains its bank accounts at high-credit quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times, cash in these accounts may exceed the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

As of December 31, 2014, 83% of grants receivable were due from three funding sources.

Income Taxes
The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In accordance with FASB ASC Topic No. 740, "Income Taxes," the Organization recognized the impact of tax positions in the financial statements if those positions will more likely than not be sustained on audit, based on the technical merits of the position. The Organization is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization has no recognized/derecognized tax benefits or tax penalties or interest. The Organization's income tax returns remain subject to examination for all tax years ended on or after December 31, 2010 with regard to all tax positions and results reported.

Functional Allocation of Expenses
The costs of providing program services and supporting services are summarized on a functional basis in the statement of activities. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employee time incurred and on usage of resources.

Comparative amounts
Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement
In April 2013, the FASB issued ASU No. 2013-06, "Not-For-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate." This guidance requires entities to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. The requirements are effective prospectively for fiscal years beginning after June 15, 2014. The adoption of ASU 2013-06 did not have a material financial impact on the Organization's financial position, statements of activities or cash flows.

Recently Issued Accounting Pronouncements
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09 will be effective for annual reporting periods beginning after December 14, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. Management is in the process of evaluating the impact of this accounting pronouncement on the Organization's financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material effect on the Organization's financial statements or disclosures.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In January 2015, the FASB issued ASU 2015-01, "Income Statement— Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" ("ASU 2015-01"). ASU 2015-01 eliminates the requirements in the subtopic for reporting entities to consider whether an underlying event or transaction is extraordinary; however, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. ASU 2015-01 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning December 15, 2015 and may be applied prospectively or retrospectively. The adoption of ASU 2014-15 is not expected to have a material effect on the Organization's financial statements or disclosures.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2014 consisted of the following:

	2014	2013
Furniture and equipment	$ 131,558	$ 191,393
Computers and servers	38,811	152,410
Leasehold improvements	2,253	2,253
	172,622	346,056
Less accumulated depreciation and amortization	(143,345)	(329,544)
Property and equipment, net	**$ 29,277**	**$ 16,512**

Depreciation expense for the year ended December 31, 2014 was $13,387.

NOTE 4 – OBLIGATIONS UNDER CAPITAL LEASES

The Organization leases certain equipment under capital leases secured by equipment. Future minimum lease payments are as follows:

Year Ending December 31,	
2015	$ 9,101
2016	9,101
2017	9,101
2018	9,101
2019	2,395
	38,799
Less amount representing interest	(17,915)
Future minimum principal payments	20,884
Less current portion	(4,032)
Long-term portion	**$ 16,852**

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Unemployment Claims
The Organization has elected the reimbursable method of financing unemployment claims in which the Organization reimburses the state of California's Unemployment Insurance Fund on a dollar-for-dollar basis for all benefits paid to its former employees. As of December 31, 2014, the Organization has no outstanding claims

Operating Leases
The Organization is obligated under operating leases for its facilities and certain equipment, which expire in 2016. Future minimum base lease payments by fiscal year are as follows:

Year Ending December 31,	
2015	$ 109,178
2016	26,575
Total	**$ 135,753**

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets as of December 31 are for the following purposes:

	2014	2013
Northern California programs	$ 311,725	$ 65,333
Southern California programs	105,000	40,755
Statewide California programs	729,858	922,397
Total	**$ 1,146,583**	**$ 1,028,485**

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the balance sheet date through December 10, 2015, which represents the date that the financial statements were available for issue.