



# California Environmental Justice Alliance

Financial Report

June 30, 2024

# 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 California Environmental Justice Alliance

### **Opinion**

We have audited the accompanying financial statements of the California Environmental Justice Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 the California Environmental Justice Alliance as of June 30, 2024, 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 the California Environmental Justice Alliance 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 the California Environmental Justice Alliance'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 the California Environmental Justice Alliance'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 the California Environmental Justice Alliance'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.

WEST RHODE & ROBERTS

San Diego, California  
January 21, 2025

## CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE

Statement of Financial Position

June 30, 2024

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### Assets

Cash and cash equivalents	\$ 6,402,214
Grants receivable	290,116
Prepays and other assets	81,339
Right of use asset	179,086
Total assets	<u>\$ 6,952,755</u>

### Liabilities and net assets

#### Liabilities:

Accounts payable and accrued expenses	\$ 471,945
Deferred revenue	838,408
Lease liability	179,365
Total liabilities	<u>1,489,718</u>

#### Net assets:

Without donor restrictions	
Board designated for operating reserves	2,000,000
Undesignated	<u>2,172,065</u>
Total without donor restrictions	4,172,065
With donor restrictions	<u>1,290,972</u>
Total net assets	<u>5,463,037</u>
Total liabilities and net assets	<u>\$ 6,952,755</u>

## CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE

Statement of Activities

For the Year Ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
<u>Operating Activities:</u>			
<b>Support and revenues</b>			
Contributions	\$ 3,773,480	\$ 2,022,068	\$ 5,795,548
Management fee revenue	592,819	-	592,819
Foundation/grant revenue	170,695	-	170,695
Other income	6,248	-	6,248
Net assets released from restriction			
Satisfaction of time restrictions	731,096	(731,096)	-
Total operating support and revenues	<u>5,274,338</u>	<u>1,290,972</u>	<u>6,565,310</u>
<b>Expenses</b>			
Program services:			
Energy justice	2,092,712	-	2,092,712
Land use	846,161	-	846,161
Civic engagement	661,027	-	661,027
Climate justice	<u>135,846</u>	<u>-</u>	<u>135,846</u>
Total program services	3,735,746	-	3,735,746
Supporting services:			
Management and general	1,212,809	-	1,212,809
Fundraising	<u>260,039</u>	<u>-</u>	<u>260,039</u>
Total operating expenses	<u>5,208,594</u>	<u>-</u>	<u>5,208,594</u>
Operating revenues and support in excess of expenses	<u>65,744</u>	<u>1,290,972</u>	<u>1,356,716</u>
<u>Non-Operating Activities:</u>			
Contribution of funds from fiscal sponsor	<u>4,106,321</u>	<u>-</u>	<u>4,106,321</u>
Change in net assets	4,172,065	1,290,972	5,463,037
Net assets at beginning of year	-	-	-
Net assets at end of year	<u>\$ 4,172,065</u>	<u>\$ 1,290,972</u>	<u>\$ 5,463,037</u>

**CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE**

Statement of Functional Expenses

For the Year Ended June 30, 2024

	Program Services					Supporting Services		
	Energy Justice	Land Use	Civic Engagement	Climate Justice	Total Programs	Management and General	Fundraising	Total
<b>Expenses</b>								
Personnel								
Salaries & wages	\$ 653,643	\$ 346,306	\$ 338,390	\$ 68,254	\$ 1,406,593	\$ 470,345	\$ 194,603	\$ 2,071,541
Payroll taxes and benefits	136,461	69,291	74,530	12,733	293,015	72,601	44,726	410,342
Total personnel	790,104	415,597	412,920	80,987	1,699,608	542,946	239,329	2,481,883
Re-grants	465,000	335,000	-	33,332	833,332	299,998	-	1,133,330
Intervenor legal expenses	743,686	-	-	-	743,686	-	-	743,686
Professional fees	17,150	10,850	125,810	-	153,810	186,763	705	341,278
Program expense	36,821	40,044	21,847	4,551	103,263	32,102	53	135,418
Contract services	1,611	8,461	52,196	-	62,268	22,661	8,190	93,119
Occupancy	7,087	8,725	11,571	8,166	35,549	12,209	6,422	54,180
Travel	11,635	2,405	3,927	3,453	21,420	16,809	-	38,229
Fiscal agency fees	10,677	18,395	371	281	29,724	2,813	-	32,537
Staff development	-	1,969	-	-	1,969	30,258	-	32,227
Dues and memberships	25	440	5,173	-	5,638	24,131	108	29,877
Office expenses	156	1,873	7,187	317	9,533	17,648	285	27,466
Program supplies	4,466	112	7,352	4,192	16,122	1,925	3,508	21,555
Insurance	-	-	-	-	-	15,168	-	15,168
Donation expense	-	-	9,900	-	9,900	4,500	-	14,400
Telephone	4,294	2,290	2,773	567	9,924	2,878	1,439	14,241
Total expenditures	\$ 2,092,712	\$ 846,161	\$ 661,027	\$ 135,846	\$ 3,735,746	\$ 1,212,809	\$ 260,039	\$ 5,208,594

## **CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE**

Statement of Cash Flows

For the Year Ended June 30, 2024

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### **Cash flows from operating activities**

Change in net assets	\$ 5,463,037
Adjustment to reconcile change in net assets to net cash from operating activities	
Non cash lease expense	279
Changes in operating assets and liabilities	
Grants receivable	(290,116)
Prepays and other assets	(81,339)
Accounts payable and accrued expenses	471,945
Deferred revenue	838,408
Net cash provided by operating activities	<u>6,402,214</u>
Change in cash and cash equivalents	6,402,214
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u>\$ 6,402,214</u>

# California Environmental Justice Alliance

## Notes to Financial Statements

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### Note 1. Organization and Significant Accounting Policies

#### Organization and Activities

California Environmental Justice Alliance (CEJA) is a private, non-profit 501(c)(3) organization founded in June 2023. The CEJA Board of Directors is comprised of the Executive Directors of each of the following organizations:

- Asian Pacific Environmental Network
- Communities for a Better Environment
- Center for Community Action and Environmental Justice
- Center on Race, Poverty, and the Environment
- Environmental Health Coalition
- People Organizing to Demand Environmental and Economic Rights
- Physicians for Social Responsibility - Los Angeles

CEJA's mission 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. CEJA supports efforts to create a just society, and which foster a healthy and sustainable quality of life.

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

- **Energy Justice:** CEJA's Energy Justice program seeks to ensure California transitions equitably from dirty fossil fuels to 100% clean, renewable energy by mobilizing residents in low-income communities of color to advocate for the expansion of renewable energy access and small-scale clean energy generation in their communities. CEJA has also launched a major campaign, Regenerate California, with our partner, Sierra Club California. Associated with our Energy Justice Program, Regenerate California seeks to shut down all gas-fired power plants in California, starting with the dirtiest plants in environmental justice communities, and replace them with community-beneficial clean energy and other projects. Another component of CEJA's Energy Justice program is our SOMAH (Solar on Multifamily Affordable Housing) Program Administrator work, which includes meaningful outreach to environmental justice (EJ) communities to ensure equitable access to rooftop solar, energy bill savings, and paid job training opportunities in the solar industry. Through these efforts, EJ communities will directly benefit from the growing clean-energy economy's environmental, economic, and labor benefits.
- **Land Use:** Green Zones are areas that have experienced historic disinvestment and neglect – most often low-income communities and communities of color – where residents have been organizing for decades to reduce industrial pollution and implement solutions that address the unhealthy (and often discriminatory) land use patterns that have shaped how our communities look today. Green Zones uses place-based strategies to transform areas overburdened by pollution into healthy, thriving neighborhoods through comprehensive, community-led, solution-oriented, and collaborative approaches.
- **Nonpartisan Civic Engagement:** CEJA's 501(c)(3) civic engagement program seeks to engage voters of color in environmental justice communities to support just policies that protect community health and well-being. Our goal is to enhance the capacity of residents to conduct civic engagement activities to strengthen the EJ voter bloc across California. This is achieved by supporting the creation and implementation of targeted civic engagement outreach and related educational programs and materials with our grassroots membership.

# California Environmental Justice Alliance

## Notes to Financial Statements

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- **Climate Justice:** CEJA's Climate Justice program seeks to advance statewide climate policies that protect and benefit EJ communities and meet fossil fuel phase-out goals while most effectively fighting climate change. Our goals under this program are to strengthen collaboration with local partners to improve Cap-and-trade policies, reduce greenhouse gas (GHG) emissions and related pollutants, and block dirty hydrogen infrastructure. Sustainable transportation and building meaningful partnerships with labor groups to align on Just Transition priorities are also critical areas of work under this program.
- **Building the EJ Voice in State Policy:** This program seeks to build the profile of environmental justice issues in statewide policy, increase accountability among elected officials, and increase the number of community leaders engaged in advancing environmental justice policy.

### **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 CEJA have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require CEJA 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 CEJA. These net assets may be used at the discretion of CEJA'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 CEJA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 statement of activities.

**Measure of Operations** – The statement of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CEJA'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. There were no nonoperating activities for the year ended June 30, 2024.

**Revenue Recognition** – CEJA recognizes revenue in accordance with the following policies:

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

## California Environmental Justice Alliance

### Notes to Financial Statements

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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, CEJA 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, CEJA 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 - CEJA 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.

Contributions of service are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. CEJA reports such contributions at their estimated fair value when received. During the year ended June 30, 2024, no contributions of services were recorded.

**Cash and Cash Equivalents** – CEJA considers all highly liquid investments with an original maturity of less than three months to be cash equivalents.

**Grants Receivable** – Grants receivable consist of receivables and amounts billed and unbilled on grants and service fee contracts for services provided through June 30, 2024. All receivables are reviewed for collectability and reserves for uncollectible amounts are recorded based on examination of specific individual accounts. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. For the year ended June 30, 2024, management has determined that no allowance for grants receivable is needed.

**Leases** – Under ASC 842, CEJA 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 statement of financial position. 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. CEJA 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.

# California Environmental Justice Alliance

## Notes to Financial Statements

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**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 program or supporting service.

**Income Tax Status** – California Environmental Justice Alliance, 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, 2024, were reviewed, and it was determined that CEJA 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.

**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. CEJA 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. CEJA'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.

CEJA has evaluated subsequent events through January 21, 2025, which is the date the financial statements are available for issuance, and concluded that there are no events or transactions that need disclosed.

### Note 2. Liquidity and Availability of Resources

CEJA'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	\$ 6,402,214
Grants receivable	<u>290,116</u>
Total financial assets available within one year	<u>6,692,330</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with time/purpose restrictions	<u>1,290,972</u>
Less: amounts unavailable to management without Board approval:	
Board designated for operating reserves	<u>2,000,000</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,401,358</u>

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

## California Environmental Justice Alliance

### Notes to Financial Statements

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#### **Note 3. 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. CEJA uses a fair value hierarchy that 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.

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

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

#### **Note 4. Leases**

CEJA evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent CEJA's right to use underlying assets for the lease term, and the lease liabilities represent the CEJA's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases on office space, were calculated based on the present value of future lease payments over the lease terms. CEJA has made an accounting policy election to use US treasury rate, to discount future lease payments. The US treasury rate applied to calculate lease liabilities was 4.64%.

For the year ended June 30, 2024, total operating lease cost was \$6,919 and is included with occupancy on the statement of functional expenses.

Right-of-use assets at June 30, 2024 was \$179,086.

## California Environmental Justice Alliance

### Notes to Financial Statements

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

Years ending June 30,	
2025	\$ 40,031
2026	40,829
2027	41,648
2028	42,481
2029	<u>35,933</u>
Total lease payments	200,922
Less: discount to present value	<u>(21,557)</u>
Present value of lease liability	<u>\$ 179,365</u>

#### Note 5. Net Assets without Donor Restrictions

Net assets without donor restrictions is comprised of amounts for the following purposes at June 30, 2024:

Board designated for operating reserves	\$ 2,000,000
Undesignated	<u>2,172,065</u>
	<u>\$ 4,172,065</u>

#### Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions and other inflows received by CEJA, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at June 30, 2024 are available for the following purposes or periods:

Time restricted/program support	<u>\$ 1,290,972</u>
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#### Note 7. Net Assets Released from Restrictions

Net assets released from donor restrictions satisfying the time and/or purpose restriction specified by donors amounted to \$731,096 for the year ended June 30, 2024.

#### Note 8. Employee Benefit Plans

CEJA has a 401(k)-plan covering substantially all employees. CEJA made discretionary contributions of \$74,477 for its employees during the year ended June 30, 2024.

#### Note 9. Risks and Uncertainties

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

## California Environmental Justice Alliance

### Notes to Financial Statements

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#### Note 10. Related Party Transactions

During the year ended June 30, 2024, CEJA contracted with Communities for a Better Environment (CBE) for legal services. The Executive Director of CBE is a CEJA board member. For the year ended June 30, 2024, total legal services paid to CBE was approximately \$439,000.

For the year ended June 30, 2024, CEJA made regrants to partner organizations, the Executive Directors of which serve as the board members of CEJA. Total payments made to the executive directors of partner organizations were as follows:

Communities for a Better Environment (CBE)	\$	167,221
Center for Community Action & Environmental Justice (CCA EJ)		150,556
Environmental Health Coalition (EHC)		90,555
Center on Race, Poverty and the Environment (CRPE)		90,555
Asian Pacific Environmental Network (APEN)		87,221
People Organizing to Demand Environmental and Economic Rights (PODER)		53,333
Physicians for Social Responsibility - Los Angeles (PSR-LA)		37,222
	\$	<u>676,663</u>