

Citizens' Environmental Coalition Education Fund
Financial Statements
For the Year Ended December 31, 2012

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January 23, 2013

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Trustees
Citizens' Environmental Coalition Education Fund
Houston, Texas

We have reviewed the accompanying statement of financial position of Citizens' Environmental Coalition Education Fund (a nonprofit organization) as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

CITIZENS' ENVIRONMENTAL COALITION EDUCATION FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current assets

Cash and cash equivalents \$ 38,486

Total current assets 38,486

Furniture and equipment 929

Less: accumulated depreciation (929)

Restricted cash 5,000

TOTAL ASSETS \$ 43,486

LIABILITIES AND NET ASSETS

Current liabilities

Payroll liability \$ 469

Total current liabilities 469

Net assets

Unrestricted 38,017

Temporarily restricted 5,000

Total net assets 43,017

TOTAL LIABILITIES AND NET ASSETS \$ 43,486

The accompanying notes and independent accountants' review report are an integral part of these financial statements.

CITIZENS' ENVIRONMENTAL COALITION EDUCATION FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions and grants	\$ 49,178	\$ 22,000	\$ 71,178
Membership dues	<u>9,675</u>	<u>-</u>	<u>9,675</u>
Total support and revenue	58,853	22,000	80,853
Net assets released from restrictions	<u>17,000</u>	<u>(17,000)</u>	<u>-</u>
Total support and revenue	75,853	5,000	80,853
Expenses			
Program services			
Education and community awareness	<u>60,891</u>	<u>-</u>	<u>60,891</u>
Total program services	60,891	-	60,891
Supporting services			
Administrative	<u>18,910</u>	<u>-</u>	<u>18,910</u>
Total supporting services	18,910	-	18,910
Total expenses	<u>79,801</u>	<u>-</u>	<u>79,801</u>
Change in net assets	(3,948)	5,000	1,052
Net assets, beginning of year	<u>41,965</u>	<u>-</u>	<u>41,965</u>
NET ASSETS, END OF YEAR	<u><u>\$ 38,017</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 43,017</u></u>

The accompanying notes and independent accountants' review report are an integral part of these financial statements.

CITIZENS' ENVIRONMENTAL COALITION EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Education</u>	<u>Administrative</u>	<u>Total</u>
Salaries and related expenses			
Salaries and related taxes	\$ 42,641	\$ 8,484	\$ 51,125
Total salaries and related expenses	42,641	8,484	51,125
Operating expenses			
Professional fees	-	4,717	4,717
Travel	-	173	173
Insurance	-	1,438	1,438
Special event costs	2,899	88	2,987
Printing and reproduction	10,442	-	10,442
Office and postage	-	462	462
Dues, subscriptions and books	-	785	785
Telephone and communication	-	2,045	2,045
Rent and utilities	4,718	524	5,242
Other program expenses	191	194	385
Total operating expenses	<u>18,250</u>	<u>10,426</u>	<u>28,676</u>
TOTAL EXPENSES	<u>\$ 60,891</u>	<u>\$ 18,910</u>	<u>\$ 79,801</u>

The accompanying notes and independent accountants' review report are an integral part of these financial statements.

CITIZENS' ENVIRONMENTAL COALITION EDUCATION FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash flows from operating activities	
Change in net assets	\$ 1,052
Adjustments to reconcile change in net assets from operating activities:	
Changes in operating assets and liabilities:	
Payroll liabilities	<u>469</u>
Net cash from operating activities	<u>1,521</u>
Cash flows from investing activities	
Transfer of restricted cash	<u>(5,000)</u>
Net cash from investing activities	<u>(5,000)</u>
Net change in cash and cash equivalents	(3,479)
Cash and cash equivalents – beginning of year	<u>41,965</u>
Cash and cash equivalents – end of year	<u><u>\$ 38,486</u></u>

The accompanying notes and independent accountants' review report are an integral part of these financial statements.

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Citizens' Environmental Coalition Education Fund (CEC or the “Organization”) is a nonprofit organization established in 1971 whose purpose is to serve as an information clearinghouse that provides education, training and information to a coalition of nonprofit organizations whose activities impact the environment and quality of life in the Houston Gulf Coast region. The Organization has been established under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on other than unrelated business income.

Financial Statement Presentation – The 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). The Organization presents their financial statements under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC Topic No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed or grantor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions specifying that the net assets be maintained permanently on behalf of the Organization. The Organization had no permanently restricted assets at December 31, 2012.

Cash and Cash Equivalents – For the purpose of the statements of cash flows, the Organization considers highly liquid investments and certificates of deposit purchased with an original maturity of three months or less to be cash equivalents. In monitoring credit risk associated with uninsured deposits, the Organization evaluates the stability of its correspondent financial institutions.

Furniture, Fixtures and Equipment – Furniture and equipment are stated at cost, net of accumulated depreciation. Donations of property and equipment are recorded at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to seven years and is allocated among program and support expenses in the statements of activities. At December 31, 2012 all furniture and equipment have been fully depreciated.

Contributions, Grants and Pledges – The organization accounts for contributions, grants and pledges as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are released from restrictions and reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

CITIZENS' ENVIRONMENTAL COALITION EDUCATION FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

In-kind Contributions – Donated assets are recorded at their estimated fair value at the date of donation. Donated services are not reflected in the financial statements unless a consistent, objective basis can be established for measuring fair value. A substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund raising campaigns. No amounts have been reflected in the financial statements for donated services as there is no objective basis to measure the value of such services and the services do not require specialized skills.

Functional Allocation of Expenses – The costs of providing various programs and supporting services have been summarized on a functional basis. Expenses are charged to each program based on direct expenditures incurred. Certain functional expenses which cannot be readily related to a specific program are allocated to the various programs based upon hours worked, square footage, number of program staff or other reasonable method for allocating the Organization's multiple function expenditures. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of 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 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.

Income Taxes – FASB ASC Topic No. 740, *Accounting for Income Taxes*, prescribes accounting for and disclosure of uncertainty in tax positions. This interpretation defines the criteria that must be met for the benefits of a tax position to be recognized in the financial statements and the measurement of tax benefits recognized. For 2012, the Organization did not record any liabilities for uncertain tax positions, and did not recognize any interest or penalty expense related to uncertain tax positions or income taxes. The Organization does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next 12 months.

Fair Value Measurements – FASB ASC Topic No. 820, *Fair Value*, prescribes accounting for and disclosure of assets and liabilities to be measured at fair value. 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 at the measurement date. A three-level fair value hierarchy is required to prioritize the inputs used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

At December 31, 2012, the Company had no assets or liabilities recorded at fair value on a recurring or nonrecurring basis.

Recent Accounting Pronouncements – The Organization has implemented all new accounting pronouncements and does not believe that there are any other new accounting pronouncements that have been issued that may have a material impact on its financial statements.

NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS

The Organization received contributions which were restricted for certain capital projects and specific programs. The restrictions are donor imposed purpose restrictions.

The Organization had \$5,000 of temporarily restricted net assets at December 31, 2012. Temporarily restricted net assets which were not released from restrictions as of December 31, 2012 are comprised of funds with purpose restrictions for an upgrade to the Organization's website. The Organization received \$17,000 of restricted contributions for use on the annual resource guide, all of which have been used and released from restrictions during 2012.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash. The Organization maintains its cash balances in financial institutions, which at times exceeds the amount insured by the Federal Deposit Insurance Corporation. Management periodically assesses the financial condition of the financial institutions and believes that any possible credit risk is minimal.

NOTE 4 – LEASES

The Organization leases property for its office facilities under a five year operating lease expiring August, 2013. The rent expense for the year ended December 31, 2012 was \$5,242. Future minimum lease obligations for the year ending December 31, 2013 amount to \$3,968.

NOTE 5 – FINANCIAL CONDITION

As shown in the accompanying financial statements, the Organization has incurred deficits in its changes in unrestricted net assets and cash flows for 2012. The economic downturn affecting nonprofit organizations in the greater Houston area and nationwide has impacted the Organization's levels of contributions and donations. The Organization projects that it will have sufficient resources and cash to withstand the current economic downturn and is responding to the challenges by increasing its focus to obtain adequate funding through additional foundations and corporations, small businesses, professional associations, and other individuals. In addition, management also plans to improve special event income and to continue to closely monitor and reduce operating costs.

NOTE 6 – SUBSEQUENT EVENTS

The Organization evaluates subsequent events in accordance with FASB ASC Topic No. 855, *Subsequent Events*. The guidance requires an entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 23, 2013, the date the financial statements were available to be issued.