



FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012



WESTERN ENVIRONMENTAL LAW CENTER
FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Western Environmental Law Center
Eugene, Oregon

We have audited the accompanying financial statements of Western Environmental Law Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Environmental Law Center as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jones + Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
July 9, 2014

FINANCIAL STATEMENTS

WESTERN ENVIRONMENTAL LAW CENTER
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 452,092	\$ 327,531
Accounts receivable	46,385	90,606
Prepaid expenses	473	9,684
Other assets	-	177
	498,950	427,998
 Equipment and furnishings		
Equipment and furnishings	63,248	71,350
Accumulated depreciation	(45,391)	(49,171)
	17,857	22,179
 Other assets		
Certificate of deposit	212,683	209,106
Funds held in trust	10,330	8,028
Beneficial interest in the assets of the Oregon Community Foundation (OCF)	32,639	29,130
Deposits	8,995	8,715
Unemployment deposit	11,000	13,004
	275,647	267,983
 Total assets	 \$ 792,454	 \$ 718,160

	<u>2013</u>	<u>2012</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 10,920	\$ 66,448
Credit card payable	9,600	5,045
Payroll payables	<u>43,974</u>	<u>49,913</u>
Total current liabilities	64,494	121,406
Other liabilities		
Funds held in trust	<u>10,328</u>	<u>8,028</u>
Total liabilities	<u>74,822</u>	<u>129,434</u>
Net assets		
Unrestricted	493,803	454,968
Temporarily restricted	<u>223,829</u>	<u>133,758</u>
Total net assets	<u>717,632</u>	<u>588,726</u>
Total liabilities and net assets	<u>\$ 792,454</u>	<u>\$ 718,160</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Grants	\$ 87,000	\$ 792,716	\$ 879,716
Contributions	333,189	-	333,189
Fees and reimbursements	426,424	-	426,424
Education fees	20,000	-	20,000
In-kind donations	7,493	-	7,493
Miscellaneous	16,874	-	16,874
Interest income	4,282	-	4,282
Gain from beneficial interest in the assets of the OCF	3,407	-	3,407
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>702,645</u>	<u>(702,645)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>1,601,314</u>	 <u>90,071</u>	 <u>1,691,385</u>
 Expenses			
Program	1,260,928	-	1,260,928
Management and general	137,927	-	137,927
Fundraising	<u>163,624</u>	<u>-</u>	<u>163,624</u>
 Total expenses	 <u>1,562,479</u>	 <u>-</u>	 <u>1,562,479</u>
 Change in net assets	 38,835	 90,071	 128,906
 Net assets, beginning of year	 <u>454,968</u>	 <u>133,758</u>	 <u>588,726</u>
 Net assets, end of year	 <u>\$ 493,803</u>	 <u>\$ 223,829</u>	 <u>\$ 717,632</u>

2012

Unrestricted	Temporarily Restricted	Total
\$ 135,000	\$ 822,250	\$ 957,250
252,426	-	252,426
253,210	-	253,210
20,000	-	20,000
9,737	-	9,737
10,133	-	10,133
6,702	-	6,702
2,679	-	2,679
<u>924,867</u>	<u>(924,867)</u>	<u>-</u>
<u>1,614,754</u>	<u>(102,617)</u>	<u>1,512,137</u>
1,617,544	-	1,617,544
177,809	-	177,809
<u>182,784</u>	<u>-</u>	<u>182,784</u>
<u>1,978,137</u>	<u>-</u>	<u>1,978,137</u>
(363,383)	(102,617)	(466,000)
<u>818,351</u>	<u>236,375</u>	<u>1,054,726</u>
<u>\$ 454,968</u>	<u>\$ 133,758</u>	<u>\$ 588,726</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 128,906	\$ (466,000)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	7,200	10,667
Loss on disposal of assets	908	5,257
Realized/unrealized gain in beneficial interest in the assets of the OCF	(3,407)	(2,679)
(Increase) decrease in:		
Accounts receivable	44,221	(46,349)
Prepaid expenses	9,211	3,855
Other assets	177	(99)
Deposits	(280)	405
Unemployment deposits	2,004	-
Increase (decrease) in:		
Accounts payable	(55,529)	32,031
Credit card payable	4,555	(6,160)
Payroll payables	(5,939)	(60,394)
	<u>132,027</u>	<u>(529,466)</u>
Cash flows from investing activities		
Net purchase of equipment	(3,787)	(5,869)
Increase in beneficial interest in the assets of the OCF	(102)	(57)
Net withdrawal from (investment in) certificate of deposit	(3,577)	194,302
	<u>(7,466)</u>	<u>188,376</u>
Net increase (decrease) in cash and cash equivalents	124,561	(341,090)
Cash and cash equivalents, beginning of year	<u>327,531</u>	<u>668,621</u>
Cash and cash equivalents, end of year	<u>\$ 452,092</u>	<u>\$ 327,531</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2013 and 2012

	2013			
	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 699,627	\$ 84,687	\$ 93,136	\$ 877,450
Payroll taxes	60,142	7,280	8,006	75,428
Payroll benefits	82,803	10,306	11,720	104,829
Litigation:				
Communication	3,216	-	-	3,216
Education and licensure	28,428	-	-	28,428
Experts	24,252	-	-	24,252
FS CPLA	77,500	-	-	77,500
Meals and travel	36,535	-	-	36,535
Grants passed through	51,000	-	-	51,000
Other	43,461	-	-	43,461
Communications	8,196	992	1,091	10,279
Depreciation	5,741	695	764	7,200
General insurance	7,548	913	1,005	9,466
Professional services	-	7,380	-	7,380
Office rent	63,797	7,239	3,965	75,001
Repairs	14,557	1,762	1,938	18,257
Supplies and small equipment	5,447	-	-	5,447
Utilities	5,956	721	793	7,470
Development	-	-	41,206	41,206
Education, outreach	41,814	-	-	41,814
Board expense	-	2,094	-	2,094
Office expenses	-	13,858	-	13,858
Loss on disposal of asset	908	-	-	908
Total functional expenses	<u>\$ 1,260,928</u>	<u>\$ 137,927</u>	<u>\$ 163,624</u>	<u>\$ 1,562,479</u>

2012

Program Services	Support Services		Total Expenses
	Management and General	Fundraising	
\$ 902,496	\$ 113,359	\$ 111,625	\$ 1,127,480
66,505	8,353	8,226	83,084
125,907	17,044	17,581	160,532
6,696	-	-	6,696
28,333	-	-	28,333
87,552	-	-	87,552
83,382	-	-	83,382
63,741	-	-	63,741
59,540	-	-	59,540
34,521	-	-	34,521
11,081	1,392	1,370	13,843
8,539	1,073	1,056	10,668
3,256	409	403	4,068
-	8,323	-	8,323
74,005	8,794	4,663	87,462
7,742	972	958	9,672
5,381	-	-	5,381
5,008	629	618	6,255
-	-	36,284	36,284
38,602	-	-	38,602
-	5,072	-	5,072
-	12,389	-	12,389
5,257	-	-	5,257
<u>\$ 1,617,544</u>	<u>\$ 177,809</u>	<u>\$ 182,784</u>	<u>\$ 1,978,137</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Organization

Western Environmental Law Center's (WELC) mission is to use the tools of law to help protect and restore the environment, and to serve as an advocate for people, wildlife, and communities throughout the West. WELC's fee and reimbursements income consists of legal awards, settlements, and fees from public interest environmental legal cases.

Basis of Accounting

WELC's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WELC and changes therein are classified and reported as follows:

- *Unrestricted net assets* — Net assets that are not subject to donor-imposed stipulations and revenues and support that are restricted but whose restrictions are met during the fiscal year.
- *Temporarily restricted net assets* — Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the WELC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- *Permanently restricted net assets* — WELC has no permanently restricted net assets.

Basis of Presentation

Financial statements are presented in accordance with U.S. generally accepted accounting principles, which require WELC to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Income Tax Status

WELC is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, WELC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). WELC files required informational returns with both the U.S. federal jurisdiction and the state of Oregon. WELC's information returns are generally subject to examination by taxing authorities for a period of three years after filing.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Receivables Policies

Some of WELC's program services are performed on a contingency fee basis. No interest on receivables is charged unless court ordered. No receivables for services are booked until final settlement is reached. If there is a contractual agreement for WELC to receive payment for fees and/or costs directly from the client, then WELC will book that receivable as it is earned. If receivables become uncollectible, they are written-off directly. Management determines the collectability and current or non-current status on a case by case basis. If associated with an active case, those costs may ultimately be recovered through a settlement or court decision.

Property and Equipment

Depreciation of equipment is provided over the estimated useful lives, using the straight-line method. Purchased assets are recorded at historical cost. Donated assets are recorded at fair value at date of contribution. Additions, betterments, and replacements are capitalized. Expenditures for normal maintenance and repairs and replacements are charged to expense as incurred.

Donations

WELC reports grants and gifts of cash and other assets as 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 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.

WELC reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts with explicit restrictions that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, WELC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-kind Donations

In-kind donations are valued at market value at the date of donation. WELC recognizes as contributions and expenditures those gifts of services requiring specialized skills and donated items at fair market value.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

WELC's cash and cash equivalents consists of cash on hand and demand deposits, including a money market account, with financial institutions.

3. Accounts Receivable

As of December 31, 2013 and 2012, accounts receivable consisted primarily of fees from legal actions and contracted services. Management periodically evaluates the collectability of receivables. Amounts are considered fully collectible; therefore, no allowance for doubtful accounts has been recorded. Receivables are written-off as uncollectible when all avenues for collection have been exhausted.

As of December 31, accounts receivable consisted of the following:

	<u>2013</u>	<u>2012</u>
Fees from legal actions	\$ 33,660	\$ 40,000
Grant reimbursement receivable	-	38,106
Contracted services	12,500	12,500
Other receivable	<u>225</u>	<u>-</u>
Total accounts receivable	<u>\$ 46,385</u>	<u>\$ 90,606</u>

4. Certificate of Deposit

Certificate of deposit consists of a demand deposit with a maturity greater than three months. The certificate of deposit is recorded on the statements of financial position at cost plus interest earned. Interest income from the certificate of deposit was \$3,577 and \$5,698 as of December 31, 2013 and 2012, respectively, and is included in interest income.

5. Funds Held in Trust

WELC maintains separate bank accounts for funds held in trust. These funds are mostly comprised of attorney retainers and fee recoveries. These funds are held in trust until they are distributed to the appropriate parties.

6. Concentration of Credit Risk

WELC maintains cash and cash equivalents and certificate of deposit balances in some bank accounts, exceeding the Federal Deposit Insurance Corporation (FDIC) depository insurance limit of \$250,000. At December 31, 2013 and 2012, WELC's balances exceeded FDIC depository insurance by \$389,600 and \$228,069, respectively.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

7. Beneficial Interest in the Assets of The Oregon Community Foundation (OCF)

In 2007, a board designated endowment fund (Fund) was established at the Oregon Community Foundation (OCF). This Fund is used by OCF as the source of unrestricted grants for WELC. The agreement with OCF stipulates that the Fund shall be held and owned by OCF. OCF may distribute, on an annual basis, a fixed percentage of the Fund assets. The percentage is determined by the Board of Directors of OCF. The agreement also provides that, upon written request from a majority of the Board of Directors of OCF, additional distributions may be made from the Fund assets, even to the exhaustion of the Fund.

The following schedule summarizes the activity of the Fund, reported at fair value, for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Investment earnings:		
Interest and dividends	\$ 363	\$ 288
Realized gains	1,088	255
Unrealized gains	<u>2,318</u>	<u>2,424</u>
Total investment earnings	<u>3,769</u>	<u>2,967</u>
Decreases:		
Investment management fees	(110)	(93)
OCF fees	<u>(150)</u>	<u>(138)</u>
Total decreases	<u>(260)</u>	<u>(231)</u>
Net change	3,509	2,736
Beginning balance	<u>29,130</u>	<u>26,394</u>
Ending balance	<u>\$ 32,639</u>	<u>\$ 29,130</u>

8. Net Assets

As of December 31, temporarily restricted net assets were available for:

	<u>2013</u>	<u>2012</u>
Litigation and grant programs	\$ <u>223,829</u>	\$ <u>133,758</u>
Total temporarily restricted net assets	<u>\$ 223,829</u>	<u>\$ 133,758</u>

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

9. Leases

As of December 31, 2013, WELC occupied office space at several locations and leased copiers in two of those locations:

	<u>Term</u>	<u>Monthly Rental</u>
Office space:		
Eugene, Oregon	August 1, 2011 – June 30, 2015	\$ 3,400
Taos, New Mexico	December 1, 2011 – April 30, 2013	1,950
Taos, New Mexico	Month-to-month, May 1, 2013 – undetermined	1,950
Helena, Montana	July 15, 2008 – April 30, 2013	450
Helena, Montana	May 1, 2013 – March 31, 2016	660
Copiers:		
Taos, New Mexico	December 2010 – December 2015	\$ 332
Eugene, Oregon	March 2012 – March 2017	114

In 2013, upon the expiration of the lease, the Taos, New Mexico office space lease was converted to month-to-month.

Future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	
2014	\$ 54,072
2015	33,672
2016	3,348
2017	342
2018	-
Thereafter	<u>-</u>
Total	<u>\$ 91,434</u>

Rental expenses for the years ended December 31, 2013 and 2012 totaled \$80,445 and \$92,842, respectively.

10. Concentrations of Income

As of December 31, included in the grants were the following amounts from a single grantor:

	<u>Single Amount</u>	<u>Percent of Total Grants</u>	<u>Percent of Total Income</u>
2013	\$200,000	22.7%	13%
2012	\$186,000	19.4%	12%

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

11. Defined Contribution Pension Plan

Effective April 1, 2011, WELC sponsored a 401(k) deferred compensation plan, with a safe harbor plan. The safe harbor plan now requires the following match per length of employment by WELC: 0-5 years - 4 percent, 5-10 years - 6 percent, and over 10 years - 9 percent. Effective July 1, 2012, the plan was amended to no longer include matching contributions made by WELC.

During the years ended December 31, 2013 and 2012, WELC contributed \$-0- and \$39,882, respectively, of employer contributions to employer plans.

12. Contingencies

WELC has elected to self-insure for unemployment. The contingent liability is not subject to measurement. In 2013, there were two former employees who had been separated from service and were within the unemployment look back period. In 2012, there were no former employees who had been separated from service and were within the unemployment look back period. The State of Oregon Employment Department required WELC to hold separately an unemployment reserve of \$11,000 and \$13,004 at December 31, 2013 and 2012, respectively.

13. Compensated Absences

WELC accrues earned vacation time. The amount payable at December 31, 2013 and 2012, was \$29,359 and \$33,681, respectively. WELC has a sabbatical program under which employees can earn three months of paid leave every five years of employment. No amount is accrued for sabbatical time as the liability is not subject to reasonable estimation.

14. Credit Card Lines of Credit

Certain WELC employees use WELC credit cards for organizational expenses. At December 31, 2013 and 2012, the combined balance on these cards was \$9,600 and \$5,045, respectively. As of December 31, 2013 and 2012, the combined available credit on all the cards was \$50,400 and \$64,995, respectively. At December 31, 2013 and 2012, there were credit cards being held by 10 employees.

15. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.