



## **FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2014 and 2013**



WESTERN ENVIRONMENTAL LAW CENTER  
FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Cash Flows	7
Statements of Functional Expenses	8 - 9
Notes to Financial Statements	10 - 15

## 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 statement of financial position as of December 31, 2014 and 2013, 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.

The Right People Beside You.

CPAs & Business Advisors  
Retirement Plan Services  
Financial Advisors

> [jr CPA.com](http://jr CPA.com)

**BEND** 300 SW Columbia Street  
Suite 201  
Bend, OR 97702  
*phone* (541) 382-3590  
*fax* (541) 382-3587

**EUGENE** 432 West 11th Avenue  
Eugene, OR 97401  
*phone* (541) 687-2320  
*fax* (541) 485-0960

**HILLSBORO** 5635 NE Elam Young Pkwy.  
Suite 100  
Hillsboro, OR 97124  
*phone* (503) 648-0521  
*fax* (503) 648-2692

## 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, 2014 and 2013, 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 2, 2015

## FINANCIAL STATEMENTS

WESTERN ENVIRONMENTAL LAW CENTER  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2014 and 2013

	2014	2013
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 865,155	\$ 452,092
Accounts receivable	28,679	46,385
Prepaid expenses	989	473
Other assets	122	-
Total current assets	894,945	498,950
<b>Equipment and furnishings</b>		
Equipment and furnishings	76,637	63,248
Accumulated depreciation	(50,154)	(45,391)
Equipment and furnishings, net	26,483	17,857
<b>Other assets</b>		
Certificate of deposit	216,322	212,683
Funds held in trust	17,037	10,330
Beneficial interest in the assets of the Oregon Community Foundation (OCF)	33,684	32,639
Deposits	8,995	8,995
Unemployment deposit	11,000	11,000
Total other assets	287,038	275,647
<b>Total assets</b>	<b>\$ 1,208,466</b>	<b>\$ 792,454</b>

	<u>2014</u>	<u>2013</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 18,941	\$ 10,920
Credit card payable	13,293	9,600
Payroll payables	<u>46,786</u>	<u>43,974</u>
Total current liabilities	79,020	64,494
<b>Other liabilities</b>		
Funds held in trust	<u>17,034</u>	<u>10,328</u>
Total liabilities	<u>96,054</u>	<u>74,822</u>
<b>Net assets</b>		
Unrestricted	869,240	493,803
Temporarily restricted	<u>243,172</u>	<u>223,829</u>
Total net assets	<u>1,112,412</u>	<u>717,632</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,208,466</u>	<u>\$ 792,454</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER  
STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2014 and 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues, gains, and other support</b>			
Grants	\$ -	\$ 803,047	\$ 803,047
Contributions	426,087	-	426,087
Fees and reimbursements	616,716	-	616,716
Education fees	20,000	-	20,000
In-kind donations	120	-	120
Miscellaneous	15,906	-	15,906
Interest income	4,550	-	4,550
Gain from beneficial interest in the assets of the OCF	1,019	-	1,019
Net assets released from restrictions:			
Satisfaction of program restrictions	783,704	(783,704)	-
 Total revenues, gains, and other support	 <u>1,868,102</u>	 <u>19,343</u>	 <u>1,887,445</u>
 <b>Expenses</b>			
Program	1,215,309	-	1,215,309
Management and general	169,716	-	169,716
Fundraising	107,640	-	107,640
 Total expenses	 <u>1,492,665</u>	 <u>-</u>	 <u>1,492,665</u>
 <b>Change in net assets</b>	 375,437	 19,343	 394,780
 Net assets, beginning of year	 <u>493,803</u>	 <u>223,829</u>	 <u>717,632</u>
 Net assets, end of year	 <u>\$ 869,240</u>	 <u>\$ 243,172</u>	 <u>\$ 1,112,412</u>



2013		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 87,000	\$ 792,716	\$ 879,716
333,189	-	333,189
426,424	-	426,424
20,000	-	20,000
7,493	-	7,493
16,874	-	16,874
4,282	-	4,282
3,407	-	3,407
<u>702,645</u>	<u>(702,645)</u>	<u>-</u>
<u>1,601,314</u>	<u>90,071</u>	<u>1,691,385</u>
1,260,928	-	1,260,928
137,927	-	137,927
<u>163,624</u>	<u>-</u>	<u>163,624</u>
<u>1,562,479</u>	<u>-</u>	<u>1,562,479</u>
38,835	90,071	128,906
<u>454,968</u>	<u>133,758</u>	<u>588,726</u>
<u>\$ 493,803</u>	<u>\$ 223,829</u>	<u>\$ 717,632</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, 2014 and 2013

	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 394,780	\$ 128,906
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,537	7,200
Loss on disposal of assets	-	908
Realized/unrealized gain in beneficial interest in the assets of the OCF	(1,019)	(3,407)
(Increase) decrease in:		
Accounts receivable	17,706	44,221
Prepaid expenses	(516)	9,211
Other assets	(122)	177
Deposits	-	(280)
Unemployment deposits	-	2,004
Increase (decrease) in:		
Accounts payable	8,020	(55,529)
Credit card payable	3,693	4,555
Payroll payables	2,812	(5,939)
	<u>431,891</u>	<u>132,027</u>
<b>Cash flows from investing activities</b>		
Net purchase of equipment	(15,162)	(3,787)
Increase in beneficial interest in the assets of the OCF	(27)	(102)
Net investment in certificate of deposit	(3,639)	(3,577)
	<u>(18,828)</u>	<u>(7,466)</u>
<b>Net increase in cash and cash equivalents</b>	413,063	124,561
Cash and cash equivalents, beginning of year	<u>452,092</u>	<u>327,531</u>
Cash and cash equivalents, end of year	<u>\$ 865,155</u>	<u>\$ 452,092</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, 2014 and 2013

	2014			
	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 698,994	\$ 103,905	\$ 52,767	\$ 855,666
Payroll taxes	51,538	7,661	3,891	63,090
Payroll benefits	85,819	13,648	6,668	106,135
Litigation:	-	-	-	
Communication	3,321	-	-	3,321
Education and licensure	19,003	-	-	19,003
Experts	13,312	-	-	13,312
FS CPLA	-	-	-	-
Meals and travel	57,915	-	-	57,915
Grants passed through	65,000	-	-	65,000
Other	92,309	-	-	92,309
Communications	8,107	1,205	612	9,924
Depreciation	5,340	794	403	6,537
General insurance	5,920	880	447	7,247
Professional services	-	8,614	-	8,614
Office rent	58,584	8,708	4,423	71,715
Repairs	6,741	1,002	509	8,252
Supplies and small equipment	6,190	-	-	6,190
Utilities	10,167	1,511	768	12,446
Development	-	-	37,152	37,152
Education, outreach	27,049	-	-	27,049
Board expense	-	2,235	-	2,235
Office expenses	-	19,553	-	19,553
Loss on disposal of asset	-	-	-	-
 Total functional expenses	 <u>\$ 1,215,309</u>	 <u>\$ 169,716</u>	 <u>\$ 107,640</u>	 <u>\$ 1,492,665</u>

2013

Program Services	Support Services		Total Expenses
	Management and General	Fundraising	
\$ 699,627	\$ 84,687	\$ 93,136	\$ 877,450
60,142	7,280	8,006	75,428
82,803	10,306	11,720	104,829
3,216	-	-	3,216
28,428	-	-	28,428
24,252	-	-	24,252
77,500	-	-	77,500
36,535	-	-	36,535
51,000	-	-	51,000
43,461	-	-	43,461
8,196	992	1,091	10,279
5,741	695	764	7,200
7,548	913	1,005	9,466
-	7,380	-	7,380
63,797	7,239	3,965	75,001
14,557	1,762	1,938	18,257
5,447	-	-	5,447
5,956	721	793	7,470
-	-	41,206	41,206
41,814	-	-	41,814
-	2,094	-	2,094
-	13,858	-	13,858
908	-	-	908
<u>\$ 1,260,928</u>	<u>\$ 137,927</u>	<u>\$ 163,624</u>	<u>\$ 1,562,479</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 multiple financial institutions.

**3. Accounts Receivable**

As of December 31, 2014 and 2013, 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>2014</u>	<u>2013</u>
Fees from legal actions	\$ 15,504	\$ 33,660
Contracted services	12,500	12,500
Other receivable	<u>675</u>	<u>225</u>
Total accounts receivable	<u>\$ 28,679</u>	<u>\$ 46,385</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 \$3,639 and \$3,577 as of December 31, 2014 and 2013, 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, 2014 and 2013, WELC's balances exceeded FDIC depository insurance by \$801,196 and \$389,600, 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>2014</u>	<u>2013</u>
Investment earnings:		
Interest and dividends	\$ 315	\$ 363
Realized gains	763	1,088
Unrealized gains	<u>256</u>	<u>2,318</u>
Total investment earnings	<u>1,334</u>	<u>3,769</u>
Decreases:		
Investment management fees	(120)	(110)
OCF fees	<u>(169)</u>	<u>(150)</u>
Total decreases	<u>(289)</u>	<u>(260)</u>
Net change	1,045	3,509
Beginning balance	<u>32,639</u>	<u>29,130</u>
Ending balance	<u>\$ 33,684</u>	<u>\$ 32,639</u>

**8. Net Assets**

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

	<u>2014</u>	<u>2013</u>
Litigation and grant programs	<u>\$ 243,172</u>	<u>\$ 223,829</u>
Total temporarily restricted net assets	<u>\$ 243,172</u>	<u>\$ 223,829</u>



WESTERN ENVIRONMENTAL LAW CENTER  
NOTES TO FINANCIAL STATEMENTS

**9. Leases**

As of December 31, 2014, 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
Eugene, Oregon	July 1, 2015 – June 30, 2025	3,500
Taos, New Mexico	December 1, 2011 – April 30, 2013	1,950
Taos, New Mexico	Month-to-month, May 1, 2013 – July 31, 2014	1,950
Taos, New Mexico	August 1, 2014 – July 31, 2015	1,989
Taos, New Mexico	August 1, 2015 – July 31, 2016	2,029
Taos, New Mexico	August 1, 2016 – July 31, 2017	2,069
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. As of August 1, 2014, WELC has entered into a new lease for the Taos, New Mexico office space, and is no longer on a month-to-month payment basis.

Future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	
2015	\$ 78,739
2016	69,895
2017	56,827
2018	42,000
2019	42,000
Thereafter	<u>231,000</u>
Total	<u>\$ 520,461</u>

Rental expenses for the years ended December 31, 2014 and 2013 totaled \$77,905 and \$80,445, respectively.

WESTERN ENVIRONMENTAL LAW CENTER  
NOTES TO FINANCIAL STATEMENTS

**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>
2014	\$192,500	23.97%	10%
2013	\$200,000	22.7%	13%

**11. Defined Contribution Pension Plan**

Effective April 1, 2011, WELC sponsored a 401(k) deferred compensation plan, with a safe harbor plan. Effective July 1, 2012, the plan was amended to no longer include matching contributions made by WELC. During the years ended December 31, 2014 and 2013, WELC contributed \$-0- 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 2014 and 2013, there were two 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 at December 31, 2014 and 2013.

**13. Compensated Absences**

WELC accrues earned vacation time. The amount payable at December 31, 2014 and 2013, was \$25,082 and \$29,359, 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, 2014 and 2013, the combined balance on these cards was \$13,293 and \$9,600, respectively. As of December 31, 2014 and 2013, the combined available credit on all the cards was \$51,707 and \$50,400, respectively. At December 31, 2014 and 2013, there were credit cards being held by 11 and 10 employees, respectively.

**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.