



FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016



WESTERN ENVIRONMENTAL LAW CENTER
FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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 from 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 Western Environmental Law Center as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
July 26, 2018

FINANCIAL STATEMENTS

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 2,020,611	\$ 1,009,389
Prepaid expenses	18,108	12,432
Accounts receivable	32,614	74,698
Grants receivable	-	25,000
Other assets	429	413
Total current assets	2,071,762	1,121,932
Equipment and furnishings		
Equipment and furnishings	76,221	82,772
Accumulated depreciation	(41,018)	(57,294)
Equipment and furnishings, net	35,203	25,478
Other assets		
Certificate of deposit	223,121	221,125
Funds held in trust	38,496	7,435
Beneficial interest in the assets of the Oregon Community Foundation (OCF)	40,337	35,060
Deposits	12,735	10,995
Unemployment deposit	10,000	10,000
Total other assets	324,689	284,615
Total assets	\$ 2,431,654	\$ 1,432,025

	<u>2017</u>	<u>2016</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 13,032	\$ 4,573
Credit card payable	16,530	12,325
Payroll payables	<u>53,367</u>	<u>51,578</u>
Total current liabilities	82,929	68,476
Other liabilities		
Funds held in trust	<u>38,494</u>	<u>7,434</u>
Total liabilities	<u>121,423</u>	<u>75,910</u>
Net assets		
Unrestricted	1,976,314	1,140,547
Temporarily restricted	<u>333,917</u>	<u>215,568</u>
Total net assets	<u>2,310,231</u>	<u>1,356,115</u>
Total liabilities and net assets	<u>\$ 2,431,654</u>	<u>\$ 1,432,025</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Grants	\$ 28,000	\$ 823,333	\$ 851,333
Contributions	1,239,920	75,000	1,314,920
Fees and reimbursements	923,232	-	923,232
Education fees	20,000	-	20,000
In-kind donations	11,492	-	11,492
Miscellaneous	18,685	-	18,685
Interest income	4,030	-	4,030
Change in beneficial interest in the assets of the OCF	5,283	-	5,283
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>779,984</u>	<u>(779,984)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>3,030,626</u>	 <u>118,349</u>	 <u>3,148,975</u>
 Expenses			
Program	1,817,757	-	1,817,757
Management and general	200,956	-	200,956
Fundraising	<u>176,146</u>	<u>-</u>	<u>176,146</u>
 Total expenses	 <u>2,194,859</u>	 <u>-</u>	 <u>2,194,859</u>
 Change in net assets	 835,767	 118,349	 954,116
 Net assets, beginning of year	 <u>1,140,547</u>	 <u>215,568</u>	 <u>1,356,115</u>
 Net assets, end of year	 <u>\$ 1,976,314</u>	 <u>\$ 333,917</u>	 <u>\$ 2,310,231</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Grants	\$ 5,000	\$ 737,334	\$ 742,334
Contributions	509,176	47,500	556,676
Fees and reimbursements	621,215	-	621,215
Education fees	20,000	-	20,000
In-kind donations	3,794	-	3,794
Miscellaneous	19,968	-	19,968
Interest income	3,342	-	3,342
Change in beneficial interest in the assets of the OCF	1,862	-	1,862
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>783,557</u>	<u>(783,557)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>1,967,914</u>	 <u>1,277</u>	 <u>1,969,191</u>
 Expenses			
Program	1,430,312	-	1,430,312
Management and general	160,961	-	160,961
Fundraising	<u>184,861</u>	<u>-</u>	<u>184,861</u>
 Total expenses	 <u>1,776,134</u>	 <u>-</u>	 <u>1,776,134</u>
 Change in net assets	 191,780	 1,277	 193,057
 Net assets, beginning of year	 <u>948,767</u>	 <u>214,291</u>	 <u>1,163,058</u>
 Net assets, end of year	 <u>\$ 1,140,547</u>	 <u>\$ 215,568</u>	 <u>\$ 1,356,115</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, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 954,116	\$ 193,057
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,085	8,790
Loss on disposal of assets	-	1,752
Realized/unrealized (gain) loss in beneficial interest in the assets of the OCF	(5,283)	(1,862)
(Increase) decrease in:		
Prepaid expenses	(5,676)	(326)
Accounts receivable	42,084	186,861
Grants receivable	25,000	(20,000)
Other assets	(16)	(229)
Deposits	(1,740)	-
Increase (decrease) in:		
Accounts payable	8,459	2,464
Credit card payable	4,205	(330)
Payroll payables	1,789	5,158
	<u>1,031,023</u>	<u>375,335</u>
 Cash flows from investing activities		
Net purchase of equipment	(19,172)	(3,388)
Proceeds from (deposits to) beneficial interest in the assets of the OCF	6	(8)
Proceeds from sale of assets	1,361	-
Net investment in certificate of deposit	(1,996)	(1,985)
	<u>(19,801)</u>	<u>(5,381)</u>
 Net increase in cash and cash equivalents	 1,011,222	 369,954
Cash and cash equivalents, beginning of year	<u>1,009,389</u>	<u>639,435</u>
Cash and cash equivalents, end of year	<u>\$ 2,020,611</u>	<u>\$ 1,009,389</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 993,412	\$ 137,687	\$ 79,896	\$ 1,210,995
Payroll taxes	75,354	10,444	6,060	91,858
Payroll benefits	129,779	18,631	10,914	159,324
Litigation:				
Communication	119,200	-	-	119,200
Education and licensure	28,898	-	-	28,898
Experts	127,154	-	-	127,154
Meals and travel	114,963	-	-	114,963
Grants passed through	24,000	-	-	24,000
Other	53,531	-	-	53,531
Communications	8,367	1,160	673	10,200
Depreciation	6,632	919	534	8,085
General insurance	6,883	954	554	8,391
Professional services	-	9,150	-	9,150
Office rent	62,689	8,689	5,041	76,419
Repairs	5,294	734	426	6,454
Supplies and small equipment	2,989	-	-	2,989
Utilities	12,054	1,671	969	14,694
Development	-	-	71,079	71,079
Education, outreach	42,617	-	-	42,617
Board expense	3,674	-	-	3,674
Office expenses	267	10,917	-	11,184
Loss on asset disposal	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total functional expenses	 <u>\$ 1,817,757</u>	 <u>\$ 200,956</u>	 <u>\$ 176,146</u>	 <u>\$ 2,194,859</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 896,067	\$ 107,823	\$ 89,207	\$ 1,093,097
Payroll taxes	68,231	8,210	6,793	83,234
Payroll benefits	120,046	14,144	12,687	146,877
Litigation:				
Communication	5,763	-	-	5,763
Education and licensure	25,201	-	-	25,201
Experts	24,196	-	-	24,196
Meals and travel	95,000	-	-	95,000
Grants passed through	7,000	-	-	7,000
Other	36,579	-	-	36,579
Communications	7,469	899	744	9,112
Depreciation	7,206	867	717	8,790
General insurance	6,341	763	631	7,735
Professional services	-	9,310	-	9,310
Office rent	61,045	7,345	6,077	74,467
Repairs	7,711	928	768	9,407
Supplies and small equipment	2,996	-	-	2,996
Utilities	11,271	1,356	1,124	13,751
Development	-	-	66,113	66,113
Education, outreach	38,650	-	-	38,650
Board expense	7,907	-	-	7,907
Office expenses	1,633	7,564	-	9,197
Loss on asset disposal	-	1,752	-	1,752
Total functional expenses	<u>\$ 1,430,312</u>	<u>\$ 160,961</u>	<u>\$ 184,861</u>	<u>\$ 1,776,134</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 power of the law to safeguard the wildlife, wildlands, and communities of the American 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 is restricted with all restrictions 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 statements 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.

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 donations of services which require 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, 2017 and 2016, accounts receivable consisted primarily of fees from legal actions and contracted services. Management periodically evaluates the collectability of receivables. Management considers the amounts 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>2017</u>	<u>2016</u>
Fees from legal actions	\$ 15,295	\$ 64,254
Contracted services	12,500	10,000
Other receivable	<u>4,819</u>	<u>444</u>
Total accounts receivable	<u>\$ 32,614</u>	<u>\$ 74,698</u>

4. Certificate of Deposit

Certificate of deposit consists of a demand deposit with an original 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 \$1,996 and \$1,985 as of December 31, 2017 and 2016, 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, 2017 and 2016, WELC's balances exceeded FDIC depository insurance by \$1,988,815 and \$959,887, respectively.

WELC has accounts receivable from various parties under the terms of contracts and settlement agreements. At December 31, 2017, 85.2 percent of the total accounts receivable balance was due from two parties. At December 31, 2016, 53.6 percent of the total accounts receivable balance was due from one party under the terms of a fee settlement agreement.

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>2017</u>	<u>2016</u>
Investment earnings:		
Interest and dividends	\$ 321	\$ 293
Realized gains	386	288
Unrealized gains	<u>4,897</u>	<u>1,574</u>
 Total investment earnings	 <u>5,604</u>	 <u>2,155</u>
Decreases:		
Realized losses	-	-
Unrealized losses	-	-
Investment management fees	(138)	(117)
OCF fees	<u>(189)</u>	<u>(168)</u>
 Total decreases	 <u>(327)</u>	 <u>(285)</u>
 Net change	 5,277	 1,870
 Beginning balance	 <u>35,060</u>	 <u>33,190</u>
 Ending balance	 <u>\$ 40,337</u>	 <u>\$ 35,060</u>

8. Net Assets

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

	<u>2017</u>	<u>2016</u>
Litigation and grant programs	<u>\$ 333,917</u>	<u>\$ 215,568</u>
 Total temporarily restricted net assets	 <u>\$ 333,917</u>	 <u>\$ 215,568</u>

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

9. Leases

As of December 31, 2017, WELC occupied office space at several locations under non-cancelable lease agreements as follows:

Office space:	<u>Term</u>	<u>Monthly Lease Payment</u>
Seattle, Washington	September 1, 2017 – September 30, 2022	\$ 1,987
Taos, New Mexico	August 1, 2016 – July 31, 2017, month to month thereafter	2,069
Helena, Montana	May 1, 2013 – December 31, 2020; monthly lease payment includes utility charge of \$185, increasing 3% annually each April.	845

Subsequent to year end, WELC entered into a lease agreement for a new space in Eugene, Oregon with terms as follows:

Office space:	<u>Term</u>	<u>Monthly Lease Payment</u>
Eugene, Oregon	April 6, 2018 – April 5, 2023	\$ 2,563

Future minimum lease payments under the non-cancelable lease agreements are as follows:

<u>Year Ended December 31,</u>	
2018	\$ 57,523
2019	66,843
2020	68,718
2021	59,296
2022	53,913
Thereafter	<u>8,962</u>
Total	<u>\$ 315,255</u>

Rental expenses for the years ended December 31, 2017 and 2016 totaled \$79,408 and \$77,463, respectively.

10. Concentrations of Income

For the year ended December 31, 2017, 27.02 percent of the total grants came from two grantors which comprised 7.30 percent of total revenues, gains, and other support. For the year ended December 31, 2016, 21.55 percent of the total grants came from a single grantor which comprised 8.13 percent of total revenues, gains, and other support. For the year ended December 31, 2017, 40.20 percent of the total contributions came from one donor which comprised 16.79 percent of total revenues, gains, and other support. There was no such concentration of contribution revenue for the year ended December 31, 2016.

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. Effective January 1, 2016, the plan was amended to include employer matching contributions. During the years ended December 31, 2017 and 2016, WELC contributed \$35,942 and \$32,628, respectively, to the plan as employer matching contributions.

12. Contingencies

WELC has elected to self-insure for unemployment. The contingent liability is not subject to measurement. In 2017 and 2016, 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 \$10,000 at December 31, 2017 and 2016.

13. Compensated Absences

WELC accrues earned vacation time. The amount payable at December 31, 2017 and 2016, was \$27,799 and \$29,997, 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, 2017 and 2016, the combined balance on these cards was \$16,530 and \$12,325, respectively. As of December 31, 2017 and 2016, the combined available credit on all the cards was \$73,470 and \$72,675, respectively. At December 31, 2017 and 2016, there were credit cards being held by 16 and 15 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.