



FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

Jones & Roth

CPAs & Business Advisors

WESTERN ENVIRONMENTAL LAW CENTER
FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Jones & Roth P.C." in a cursive, flowing script.

Jones & Roth, P.C.
Eugene, Oregon
July 1, 2021

FINANCIAL STATEMENTS

WESTERN ENVIRONMENTAL LAW CENTER
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 929,994	\$ 928,434
Prepaid expenses	4,884	19,277
Accounts receivable	268,005	401,868
Grants and contributions receivable	312,071	206,911
Certificates of deposit, short-term	2,556,393	1,565,766
Other assets	323	133
Total current assets	4,071,670	3,122,389
Equipment and furnishings		
Equipment and furnishings	119,499	108,810
Accumulated depreciation	(78,006)	(64,978)
Equipment and furnishings, net	41,493	43,832
Other assets		
Funds held in trust	26,281	17,535
Beneficial interest in the assets of the Oregon Community Foundation (OCF)	51,006	46,283
Deposits	12,735	12,735
Unemployment deposit	10,440	10,439
Total other assets	100,462	86,992
Total assets	\$ 4,213,625	\$ 3,253,213

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 6,562	\$ 24,616
Credit card payable	14,404	23,916
Payroll related liabilities	<u>122,461</u>	<u>75,972</u>
Total current liabilities	143,427	124,504
Other liabilities		
Funds held in trust	<u>26,281</u>	<u>17,535</u>
Total liabilities	<u>169,708</u>	<u>142,039</u>
Net assets		
Without donor restrictions:		
Board designated	1,219,415	1,178,810
Undesignated	<u>2,207,380</u>	<u>1,386,689</u>
Total net assets without donor restrictions	3,426,795	2,565,499
With donor restrictions	<u>617,122</u>	<u>545,675</u>
Total net assets	<u>4,043,917</u>	<u>3,111,174</u>
Total liabilities and net assets	<u>\$ 4,213,625</u>	<u>\$ 3,253,213</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Grants	\$ 174,500	\$ 1,691,000	\$ 1,865,500
Contributions	812,376	85,000	897,376
Fees and reimbursements	509,056	-	509,056
Education fees	20,000	-	20,000
In-kind donations	-	-	-
Other government grant - PPP	-	347,200	347,200
Miscellaneous	-	-	-
Interest income	19,738	-	19,738
Change in beneficial interest in the assets of the OCF	4,723	-	4,723
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>2,051,753</u>	<u>(2,051,753)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>3,592,146</u>	 <u>71,447</u>	 <u>3,663,593</u>
 Expenses			
Program	2,203,249	-	2,203,249
Management and general	311,692	-	311,692
Fundraising	<u>215,909</u>	<u>-</u>	<u>215,909</u>
 Total expenses	 <u>2,730,850</u>	 <u>-</u>	 <u>2,730,850</u>
 Change in net assets	 861,296	 71,447	 932,743
 Net assets, beginning of year	 <u>2,565,499</u>	 <u>545,675</u>	 <u>3,111,174</u>
 Net assets, end of year	 <u>\$ 3,426,795</u>	 <u>\$ 617,122</u>	 <u>\$ 4,043,917</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Grants	\$ 114,000	\$ 1,214,000	\$ 1,328,000
Contributions	747,835	115,000	862,835
Fees and reimbursements	1,168,158	-	1,168,158
Education fees	20,000	-	20,000
In-kind donations	724	-	724
Other government grant - PPP	-	-	-
Miscellaneous	85	-	85
Interest income	36,502	-	36,502
Change in beneficial interest in the assets of the OCF	7,147	-	7,147
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,244,578</u>	<u>(1,244,578)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>3,339,029</u>	 <u>84,422</u>	 <u>3,423,451</u>
 Expenses			
Program	2,227,173	-	2,227,173
Management and general	274,894	-	274,894
Fundraising	<u>215,834</u>	<u>-</u>	<u>215,834</u>
 Total expenses	 <u>2,717,901</u>	 <u>-</u>	 <u>2,717,901</u>
 Change in net assets	 621,128	 84,422	 705,550
 Net assets, beginning of year	 <u>1,944,371</u>	 <u>461,253</u>	 <u>2,405,624</u>
 Net assets, end of year	 <u>\$ 2,565,499</u>	 <u>\$ 545,675</u>	 <u>\$ 3,111,174</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, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 932,743	\$ 705,550
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,028	13,116
Change in beneficial interest in the assets of OCF	(4,723)	(7,147)
(Increase) decrease in:		
Prepaid expenses	14,393	(588)
Accounts receivable	133,863	(326,175)
Grants and contributions receivable	(105,160)	(32,406)
Other assets	(190)	303
Unemployment deposits	(1)	(438)
Increase (decrease) in:		
Accounts payable	(18,054)	2,625
Credit card payable	(9,512)	(3,131)
Payroll related liabilities	46,489	12,068
	<u>1,002,876</u>	<u>363,777</u>
 Cash flows from investing activities		
Purchases of equipment	(10,689)	(15,919)
Proceeds from maturity of certificates of deposit	1,565,766	499,920
Investment in certificates of deposit	(2,556,393)	(1,565,766)
	<u>(1,001,316)</u>	<u>(1,081,765)</u>
 Net increase (decrease) in cash and cash equivalents	 1,560	 (717,988)
 Cash and cash equivalents, beginning of year	 928,434	 1,646,422
 Cash and cash equivalents, end of year	 \$ 929,994	 \$ 928,434

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 1,438,812	\$ 205,215	\$ 87,429	\$ 1,731,456
Payroll taxes	109,098	15,560	6,629	131,287
Payroll benefits	186,454	39,576	11,947	237,977
Litigation:				
Communication	144,792	-	-	144,792
Education and licensure	39,454	-	-	39,454
Experts	42,579	-	-	42,579
Meals and travel	18,205	-	-	18,205
Grants passed through	-	-	-	-
Other	44,885	-	-	44,885
Communications	7,343	1,046	446	8,835
Depreciation	10,825	1,545	658	13,028
General insurance	5,773	823	351	6,947
Professional services	-	10,500	-	10,500
Office rent	79,690	11,366	4,842	95,898
Repairs	2,264	323	138	2,725
Small equipment	1,337	191	81	1,609
Utilities	17,332	2,472	1,053	20,857
Education, outreach	54,406	-	-	54,406
Printing and postage	-	-	82,840	82,840
Supplies	-	-	657	657
Technology	-	-	5,345	5,345
Board expense	-	-	-	-
Staff development and training	-	-	1,417	1,417
Office expenses	-	23,075	-	23,075
Other expenses	-	-	12,076	12,076
	<u>\$ 2,203,249</u>	<u>\$ 311,692</u>	<u>\$ 215,909</u>	<u>\$ 2,730,850</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, 2019

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 1,309,082	\$ 180,270	\$ 84,168	\$ 1,573,520
Payroll taxes	100,591	13,852	6,468	120,911
Payroll benefits	170,408	35,485	10,977	216,870
Litigation:				
Communication	122,395	-	-	122,395
Education and licensure	33,183	-	-	33,183
Experts	67,837	-	-	67,837
Meals and travel	141,429	-	-	141,429
Grants passed through	58,500	-	-	58,500
Other	47,551	-	-	47,551
Communications	8,927	1,229	574	10,730
Depreciation	10,911	1,503	702	13,116
General insurance	6,290	866	404	7,560
Professional services	-	9,600	-	9,600
Office rent	73,978	10,187	4,756	88,921
Repairs	2,741	377	176	3,294
Small equipment	1,325	182	85	1,592
Utilities	12,183	1,678	783	14,644
Education, outreach	59,269	-	-	59,269
Printing and postage	-	-	83,473	83,473
Supplies	-	-	3,509	3,509
Technology	-	-	6,399	6,399
Board expense	573	4,884	-	5,457
Staff development and training	-	-	9,180	9,180
Office expenses	-	14,781	-	14,781
Other expenses	-	-	4,180	4,180
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 2,227,173</u>	<u>\$ 274,894</u>	<u>\$ 215,834</u>	<u>\$ 2,717,901</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 public lands, wildlife, and communities of the American West in the face of a changing climate. WELC's fee and reimbursements income consists of legal awards, settlements, and fees from public interest environmental legal cases.

Recent Accounting Standards Adopted

During the year ended December 31, 2019, WELC adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and related subsequently issued and clarifying ASUs. Topic 606 and related ASUs supersede previous revenue recognition principles and establish a core principle requiring the recognition of revenue to depict the transfer or promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. WELC adopted the new standard effective January 1, 2019, using the full retrospective approach in these financial statements.

The adoption of ASU No. 2014-09 did not have a significant impact on WELC's financial statements. The majority of WELC's revenue arrangements generally consist of a single performance obligation to perform agreed upon services. Based on WELC's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption, and the adoption has not resulted in the recognition of additional assets or liabilities.

During the year ended December 31, 2019, WELC also adopted FASB ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958) which clarifies accounting guidance about whether a transfer of assets is a contribution or exchange transaction. The standard effectively excludes contributions from the requirements of ASU No. 2014-09. WELC adopted the new standard effective January 1, 2019, using a modified prospective approach in these financial statements. No change to previously recognized revenue was required as a result of adopting ASU No. 2018-08.

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:

- *Net assets without donor restrictions* — Net assets that are not subject to donor-imposed stipulations or restrictions.
- *Net assets with donor restrictions* — 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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

Property and equipment is comprised of equipment and furnishings. Depreciation of equipment and furnishings 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.

Revenue Recognition

Grants and contributions are recognized as revenue when the contribution or grant is promised or made and are recorded as support that is either with or without donor restrictions. Classification is based on the existence and nature of any donor restrictions imposed on the contribution. Support that is restricted by the donor is reported as restricted revenues and is released to net assets without donor restrictions when the restriction is met.

Fees and reimbursement revenue is recognized when the related services have been rendered by WELC and/or the case settlement is awarded by the court system which is considered satisfaction of the performance obligation. There is no variable consideration under such contracts. Fee and reimbursement revenue is considered to be without donor restrictions.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

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

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.

2. Liquidity and Availability of Resources

WELC has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At December 31, 2020 and 2019, WELC's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	2020	2019
Cash and cash equivalents	\$ 929,994	\$ 928,434
Receivables	580,076	608,779
Certificates of deposit	2,556,393	1,565,766
Financial assets	4,066,463	3,102,979
Less amounts not available for general expenditure within one year:		
Receivables with donor-imposed restrictions	(135,000)	(130,000)
Board designated reserve	(1,219,415)	(1,178,810)
Financial assets available for general expenditure within one year	\$ 2,712,048	\$ 1,794,169

The Board of Directors has designated a portion of WELC's net assets without donor restrictions to be reserved for three purposes: to provide for WELC's operations in the event of a revenue shortfall; to create a means to fund special projects that are not otherwise funded; and to contribute to the beneficial interest in the assets of OCF or another revenue-generating tool for WELC. WELC has a reserve fund management policy that outlines the investment policy for the reserve fund, which is to invest in low-risk, high yield, socially responsible investments, and the method by which contributions and withdrawals are made to and from the reserve. The board designated funds are held in savings and money market accounts and certificates of deposit.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

3. Accounts Receivable

As of December 31, 2020 and 2019, 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:

	2020	2019
Fees and settlements from legal actions	\$ 253,660	\$ 378,332
Contracted services	12,500	12,500
Other receivables	1,845	11,036
Total accounts receivable	\$ 268,005	\$ 401,868

4. Certificates of Deposit

Certificates of deposit consists of certificates of deposit with an original maturity greater than three months. At December 31, 2020 and 2019, the certificates of deposit were recorded at fair market value. Certificates of deposit are classified between current and non-current assets based on respective maturity dates.

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 Deposit and Credit Risk

WELC maintains cash and cash equivalents balances that at times exceed the Federal Deposit Insurance Corporation (FDIC) depository insurance limit of \$250,000. At December 31, 2020 and 2019, WELC's cash and cash equivalent balances exceeded FDIC depository insurance by \$204,111 and \$209,107, respectively.

WELC has accounts receivable from various parties under the terms of contracts and settlement agreements. At December 31, 2020, 88.20 percent of the total accounts receivable balance was due from three parties. At December 31, 2019, 90.22 percent of the total accounts receivable balance was due from three parties.

At December 31, 2020, 64 percent of the total grants and contributions receivable balance was due from four parties. At December 31, 2019, 58 percent of the total grants and contributions receivable balance was due from one party.

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>2020</u>	<u>2019</u>
Interest and dividends	\$ 308	\$ 315
Realized gains	487	151
Unrealized gains	4,329	7,049
Investment management fees	(178)	(154)
OCF fees	<u>(223)</u>	<u>(214)</u>
Net change	4,723	7,147
Beginning balance	<u>46,283</u>	<u>39,136</u>
Ending balance	<u>\$ 51,006</u>	<u>\$ 46,283</u>

8. Net Assets

As of December 31, net assets with donor restrictions were available for:

	<u>2020</u>	<u>2019</u>
Litigation and grant programs	<u>\$ 617,122</u>	<u>\$ 545,675</u>
Total net assets with donor restrictions	<u>\$ 617,122</u>	<u>\$ 545,675</u>

9. Leases

As of December 31, 2020, WELC occupied office space at several locations under non-cancelable lease agreements as follows:

<u>Office Space Location</u>	<u>Term</u>	<u>Monthly Lease Payment</u>
Seattle, Washington	September 1, 2017 – September 30, 2022	\$ 2,112
Taos, New Mexico	January 1 2020 – December 31, 2022	2,196
Helena, Montana	May 1, 2013 – March 31, 2024; monthly lease payment includes utility charge of \$185, increasing 3% annually each January.	1,148
Eugene, Oregon	April 6, 2018 – April 5, 2023	2,693

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

9. Leases, continued

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

<u>Year Ended December 31,</u>	
2021	\$ 100,372
2022	95,949
2023	24,022
2024	3,876
2025	-
Thereafter	<u>-</u>
Total	<u>\$ 224,219</u>

Rental expenses for the years ended December 31, 2020 and 2019 totaled \$97,508 and \$90,513, respectively.

10. Concentrations of Revenue Sources

For the year ended December 31, 2020, 42.35 percent of the total grants came from three grantors which comprised 21.55 percent of total revenues, gains, and other support. For the year ended December 31, 2019, 68.22 percent of the total grants came from six grantors which comprised 26.46 percent of total revenues, gains, and other support. For the year ended December 31, 2020, 11.14 percent of the total contributions came from one donor which comprised 2.73 percent of total revenues, gains, and other support. For the year ended December 31, 2019, 11.59 percent of the total contributions came from one donor which comprised 2.92 percent of total revenues, gains, and other support.

11. Fair Value Measurement

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurement, continued

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which WELC has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Certificates of deposit: Valued using quoted market prices for identical assets in inactive markets, which is considered a Level 2 input.

Beneficial interest in the assets of OCF: Valued at the beneficial interest in assets held at the fair value of WELC's share in the investment pool as of the measurement date. The investment pool is based on quoted net asset values of underlying investments held by the investment pool adjusted by a net asset charge. The investment pool holds investments valued with all three levels of inputs; therefore, the financial instrument is categorized within the valuation hierarchy using Level 3 inputs, the lowest level input significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, WELC's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 2,556,393	\$ -	\$ 2,556,393
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>51,006</u>	<u>51,006</u>
Total fair value assets measured on a recurring basis	<u>\$ -</u>	<u>\$ 2,556,393</u>	<u>\$ 51,006</u>	<u>\$ 2,607,399</u>

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11. Fair Value Measurement, continued

The following table sets forth by level, within the fair value hierarchy, WELC's assets at fair value as of December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ -	\$ 1,565,766	\$ -	\$ 1,565,766
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>46,283</u>	<u>46,283</u>
Total fair value assets measured on a recurring basis	<u>\$ -</u>	<u>\$ 1,565,766</u>	<u>\$ 46,283</u>	<u>\$ 1,612,049</u>

12. 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, 2020 and 2019, WELC contributed \$52,908 and \$52,256, respectively, to the plan as employer matching contributions.

13. Contingencies

WELC has elected to self-insure for unemployment. The contingent liability is not subject to measurement. In 2020 and 2019, there were zero 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 with a minimum balance of \$10,440 and \$10,439 at December 31, 2020 and 2019, respectively.

14. Compensated Absences

WELC accrues earned vacation time. The amount payable at December 31, 2020 and 2019, was \$79,705 and \$42,564, 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.

15. Credit Card Lines of Credit

Certain WELC employees use WELC credit cards for organizational expenses. At December 31, 2020 and 2019, the combined balance on these cards was \$14,404 and \$23,916, respectively. As of December 31, 2020 and 2019, the combined available credit on all the cards was \$25,596 and \$76,084, respectively. At December 31, 2020 and 2019, there were credit cards being held by 21 and 19 employees, respectively.

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16. Paycheck Protection Program

In April 2020, WELC applied for and was awarded a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) through Oregon Pacific Bank. WELC was approved for a loan in the amount of \$347,200 as evidenced by a promissory note dated April 21, 2020. The CARES Act and the provisions of the loan agreement state that WELC may apply to the lender for forgiveness of the loan in the amount equal to the sum of eligible costs incurred by WELC as defined in the CARES Act and the loan agreement. Given the circumstances, WELC accounted for the funds received as a conditional contribution pursuant to FASB Accounting Standards Codification (ASC) Topic 958-605. During the year ended December 31, 2020, WELC had substantially met the conditions of the grant by overcoming the barriers for loan forgiveness by incurring sufficient eligible costs and maintaining sufficient employee head counts in order to apply for full forgiveness of the loan. WELC applied to Oregon Pacific Bank and the Small Business Administration (SBA) for forgiveness of the PPP loan and on November 18, 2020, the SBA approved full forgiveness of the PPP loan.

17. Economic Uncertainties

As a result of the ongoing COVID-19 coronavirus pandemic, continuing economic uncertainties exists which could negatively impact WELC's financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

18. 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.