



FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021



WESTERN ENVIRONMENTAL LAW CENTER
FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Western Environmental Law Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Environmental Law Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Western Environmental Law Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Environmental Law Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Jones & Roth, P.C.
Eugene, Oregon
September 14, 2023

FINANCIAL STATEMENTS

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,430,330	\$ 1,487,873
Accounts receivable	80,098	126,683
Grants and contributions receivable	1,250,032	356,794
Certificates of deposit, short-term	3,229,570	2,748,225
Prepaid expenses	5,218	7,647
Total current assets	5,995,248	4,727,222
Equipment and furnishings		
Equipment and furnishings	132,098	145,060
Accumulated depreciation	(74,717)	(91,629)
Equipment and furnishings, net	57,381	53,431
Other assets		
Certificates of deposit, long-term	485,093	-
Beneficial interest in the assets of community foundations	56,645	58,071
Deposits	8,600	10,840
Unemployment deposit	10,443	10,442
Operating lease right-of-use assets, net	157,343	-
Funds held in trust	54,305	92,211
Total other assets	772,429	171,564
Total assets	\$ 6,825,058	\$ 4,952,217

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 86,065	\$ 22,868
Credit card payable	10,053	20,350
Payroll related liabilities	140,371	146,359
Operating lease liabilities, current portion	<u>68,376</u>	<u>-</u>
Total current liabilities	304,865	189,577
Other liabilities		
Funds held in trust	54,305	92,211
Operating lease liabilities, net of current portion	<u>90,523</u>	<u>-</u>
Total other liabilities	<u>144,828</u>	<u>92,211</u>
Total liabilities	<u>449,693</u>	<u>281,788</u>
Net assets		
Without donor restrictions:		
Board designated	1,739,948	1,319,358
Undesignated	<u>2,522,890</u>	<u>2,523,622</u>
Total net assets without donor restrictions	4,262,838	3,842,980
With donor restrictions	<u>2,112,527</u>	<u>827,449</u>
Total net assets	<u>6,375,365</u>	<u>4,670,429</u>
Total liabilities and net assets	<u>\$ 6,825,058</u>	<u>\$ 4,952,217</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Grants	\$ 326,000	\$ 3,123,100	\$ 3,449,100
Contributions	1,046,014	100,000	1,146,014
Service fees and reimbursements	1,302,541	-	1,302,541
Education fees	22,000	-	22,000
Miscellaneous	1,200	-	1,200
Investment income	10,669	-	10,669
Change in beneficial interest in the assets of community foundations	(11,426)	-	(11,426)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,938,022</u>	<u>(1,938,022)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>4,635,020</u>	 <u>1,285,078</u>	 <u>5,920,098</u>
 Expenses			
Program	3,591,392	-	3,591,392
Management and general	404,243	-	404,243
Fundraising	<u>219,527</u>	<u>-</u>	<u>219,527</u>
 Total expenses	 <u>4,215,162</u>	 <u>-</u>	 <u>4,215,162</u>
 Change in net assets	 419,858	 1,285,078	 1,704,936
 Net assets, beginning of year	 <u>3,842,980</u>	 <u>827,449</u>	 <u>4,670,429</u>
 Net assets, end of year	 <u>\$ 4,262,838</u>	 <u>\$ 2,112,527</u>	 <u>\$ 6,375,365</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Grants	\$ 221,000	\$ 1,973,000	\$ 2,194,000
Contributions	1,105,967	130,000	1,235,967
Service fees and reimbursements	343,403	-	343,403
Education fees	22,000	-	22,000
Investment loss	(182)	-	(182)
Change in beneficial interest in the assets of community foundations	7,065	-	7,065
Net assets released from restrictions: Satisfaction of program restrictions	<u>1,892,673</u>	<u>(1,892,673)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>3,591,926</u>	 <u>210,327</u>	 <u>3,802,253</u>
 Expenses			
Program	2,672,345	-	2,672,345
Management and general	305,112	-	305,112
Fundraising	<u>198,284</u>	<u>-</u>	<u>198,284</u>
 Total expenses	 <u>3,175,741</u>	 <u>-</u>	 <u>3,175,741</u>
 Change in net assets	 416,185	 210,327	 626,512
 Net assets, beginning of year	 <u>3,426,795</u>	 <u>617,122</u>	 <u>4,043,917</u>
 Net assets, end of year	 <u>\$ 3,842,980</u>	 <u>\$ 827,449</u>	 <u>\$ 4,670,429</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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 1,704,936	\$ 626,512
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,018	13,623
Change in beneficial interest in the assets of community foundations	11,426	(7,065)
Amortization of operating lease right-of-use assets	115,419	-
Unrealized gain on certificates of deposit	33,831	1,775
Loss on disposal of fixed assets	3,198	-
(Increase) decrease in:		
Accounts receivable	46,585	141,322
Grants and contributions receivable	(893,238)	(44,723)
Prepaid expenses	2,429	(2,763)
Other assets	-	323
Deposits	2,240	1,895
Unemployment deposits	(1)	(2)
Increase (decrease) in:		
Accounts payable	63,197	16,306
Credit card payable	(10,297)	5,946
Payroll related liabilities	(5,988)	23,898
Operating lease liabilities	(113,863)	-
Net cash provided by operating activities	975,892	777,047
Cash flows from investing activities		
Purchases of equipment	(23,166)	(25,561)
Contributions to beneficial interest in community foundations	(10,000)	-
Proceeds from maturity of certificates of deposit	2,749,731	2,556,393
Investment in certificates of deposit	(3,750,000)	(2,750,000)
Net cash used by investing activities	(1,033,435)	(219,168)
Net increase (decrease) in cash and cash equivalents	(57,543)	557,879
Cash and cash equivalents, beginning of year	1,487,873	929,994
Cash and cash equivalents, end of year	\$ 1,430,330	\$ 1,487,873
Noncash financing and investing cash flow information		
Operating lease right-of-use assets obtained	\$ 272,762	\$ -
Operating lease liabilities exchanged for right-of-use assets	(272,762)	-
Cash paid for operating lease right-of-use assets	\$ -	\$ -

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 2,245,157	\$ 284,333	\$ 109,274	\$ 2,638,764
Payroll taxes	156,548	19,826	7,619	183,993
Payroll benefits	297,932	37,731	14,501	350,164
Litigation:				
Communication	128,845	-	-	128,845
Education and licensure	98,703	-	-	98,703
Experts	174,597	-	-	174,597
Meals and travel	172,547	-	-	172,547
Other	59,281	-	-	59,281
Communications	9,045	1,145	442	10,632
Depreciation	13,629	1,726	663	16,018
General insurance	7,905	1,001	385	9,291
Professional services	-	11,800	-	11,800
Operating lease expense and rents	106,153	13,443	5,167	124,763
Repairs	3,017	382	147	3,546
Small equipment	2,290	290	112	2,692
Utilities	6,726	852	327	7,905
Education and outreach	109,017	-	-	109,017
Printing and postage	-	-	63,968	63,968
Supplies	-	-	811	811
Technology	-	-	5,348	5,348
Board expense	-	3,187	-	3,187
Staff development and training	-	-	1,847	1,847
Office expenses	-	25,329	-	25,329
Other expenses	-	3,198	8,916	12,114
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 3,591,392</u>	<u>\$ 404,243</u>	<u>\$ 219,527</u>	<u>\$ 4,215,162</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, 2021

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 1,718,640	\$ 213,619	\$ 98,313	\$ 2,030,572
Payroll taxes	118,667	14,750	6,788	140,205
Payroll benefits	218,532	27,163	12,500	258,195
Litigation:				
Communication	134,039	-	-	134,039
Education and licensure	70,693	-	-	70,693
Experts	66,947	-	-	66,947
Meals and travel	27,839	-	-	27,839
Grants passed through	6,388	-	-	6,388
Other	55,769	-	-	55,769
Communications	9,175	1,140	525	10,840
Depreciation	11,531	1,433	660	13,624
General insurance	6,904	858	395	8,157
Professional services	-	12,208	-	12,208
Office rent	96,368	11,978	5,512	113,858
Repairs	4,651	578	266	5,495
Small equipment	2,025	252	116	2,393
Utilities	13,470	1,674	770	15,914
Education and outreach	110,707	-	-	110,707
Printing and postage	-	-	54,141	54,141
Supplies	-	-	712	712
Technology	-	-	4,216	4,216
Staff development and training	-	-	2,060	2,060
Office expenses	-	19,459	-	19,459
Other expenses	-	-	11,310	11,310
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 2,672,345</u>	<u>\$ 305,112</u>	<u>\$ 198,284</u>	<u>\$ 3,175,741</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 Western U.S. 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.

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

Recent Accounting Pronouncements

During 2022, WELC implemented the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*, using the modified retrospective approach, with January 1, 2022 as the date of initial application. Lease information for the year ended December 31, 2021 will be disclosed under ASC Topic 840. The most significant change in the new leasing guidance is the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. WELC elected to utilize all of the practical expedients available under the transition guidance within the new standard. Adoption of the new standard had a material impact on WELC's statement of financial position, but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard as of January 1, 2022 resulted in an increase in operating lease ROU assets of \$272,762, and an increase in operating lease liabilities of \$272,762 at the date of adoption. There was no impact to net assets.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

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

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.

Certificates of Deposit

Certificates of deposit consists of certificates of deposit with an original maturity greater than three months. At December 31, 2022 and 2021, 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.

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.

Leases

WELC determines if an arrangement is or contains a lease at inception. Operating leases, wherein WELC is the lessee, are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. WELC does not report ROU assets and leases liabilities for its short-term non-building leases (leases with a term of 12 months or less). WELC's accounting policy is to not separate non-lease components and lease components when determining ROU assets and lease liabilities for all asset classes. WELC has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments for all asset classes.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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.

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, 2022 and 2021, WELC's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,430,330	\$ 1,487,873
Receivables	1,330,130	483,477
Certificates of deposit, short-term	<u>3,229,570</u>	<u>2,748,225</u>
Financial assets	5,990,030	4,719,575
Less amounts not available for general expenditure within one year:		
Amounts with donor-imposed restrictions	(2,112,527)	(827,449)
Board designated reserve	<u>(1,254,855)</u>	<u>(1,319,358)</u>
Financial assets available for general expenditure within one year	<u>\$ 2,622,648</u>	<u>\$ 2,572,768</u>

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

2. Liquidity and Availability of Resources, continued

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 community foundations 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.

3. Accounts Receivable

As of December 31, 2022 and 2021, 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:

	2022	2021
Fees and settlements from legal actions	\$ 40,743	\$ 112,337
Contracted services	16,500	13,750
Other receivables	22,855	596
Total accounts receivable	\$ 80,098	\$ 126,683

Beginning of year accounts receivable balances were \$126,683 and \$268,005 at January 1, 2022 and 2021, respectively.

4. 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.

5. 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, 2022 and 2021, WELC’s cash and cash equivalent balances exceeded FDIC depository insurance by \$500,049 and \$760,153, respectively.

WELC has accounts receivable from various parties under the terms of contracts and settlement agreements. At December 31, 2022, 49.94 percent of the total accounts receivable balance was due from one organization. At December 31, 2021, 73.86 percent of the total accounts receivable balance was due from two organizations.

At December 31, 2022, 73.60 percent of the total grants and contributions receivable balance was due from three parties. At December 31, 2021, 37.45 percent of the total grants and contributions receivable balance was due from three parties.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

6. Beneficial Interest in the Assets of Community Foundations

In 2007, a board designated endowment fund (OCF Fund) was established at the Oregon Community Foundation (OCF). The OCF Fund is used by OCF as the source of unrestricted grants for WELC. The agreement with OCF stipulates that the OCF 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 OCF Fund.

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 242	\$ 210
Realized gains	201	786
Unrealized gains (loss)	(11,221)	6,502
Investment management fees	(121)	(159)
OCF fees	<u>(251)</u>	<u>(274)</u>
Net change	(11,150)	7,065
Beginning balance	<u>58,071</u>	<u>51,006</u>
Ending balance	<u>\$ 46,921</u>	<u>\$ 58,071</u>

In 2022, a board designated endowment fund (SVCF Fund) was established at the Silicon Valley Community Foundation (SVCF). The SVCF Fund is used by SVCF as the source of unrestricted grants for WELC. The agreement with SVCF stipulates that the SVCF Fund shall be held and owned by SVCF. SVCF may distribute, on an annual basis, a fixed percentage of the Fund assets. The percentage is determined by the Board of Directors of SVCF. The agreement also provides that, upon written request from a majority of the Board of Directors of SVCF, additional distributions may be made from the Fund assets, even to the exhaustion of the SVCF Fund.

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

	<u>2022</u>	<u>2021</u>
Contributions by WELC	\$ 10,000	\$ -
Realized gains (loss)	(193)	-
SVCF fees	<u>(83)</u>	<u>-</u>
Net change	9,724	-
Beginning balance	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 9,724</u>	<u>\$ -</u>

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

7. Net Assets

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

	2022	2021
Litigation and grant programs	\$ 2,112,527	\$ 827,449

8. Lease Commitments as Lessee

Operating Leases – ASC 842

Certain WELC lease agreements include variable payments based on actual future costs to be incurred and others include payments adjusted periodically for inflation. As these future payments are not determinable at the lease commencement, they are not included in the measurement of the lease asset and liabilities. WELC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Information about WELC's leases as of and for the year ended December 31, 2022 is as follows:

Components of lease cost:	
Operating lease cost	\$ 117,899
Variable lease cost	5,514
Total lease cost	\$ 123,413
Cash flow information:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ (124,452)
Right-of-use lease assets obtained in exchange for lease liabilities:	
Operating leases	\$ 272,762
Summary of lease-related assets and liabilities:	
Operating lease right-of-use assets	\$ 218,528
Accumulated amortization	(61,185)
Operating lease right-of-use assets, net	\$ 157,343
Current operating lease liabilities	\$ 68,376
Noncurrent operating lease liabilities	90,523
Total operating lease liabilities	\$ 158,899
Weighted-average remaining lease term:	
Operating leases	2.7 years
Weighted-average discount rate:	
Operating leases	1.41%

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8. Lease Commitments as Lessee, continued

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

<u>Year Ended December 31,</u>	
2023	\$ 70,049
2024	46,133
2025	36,342
2026	9,141
2027	-
Thereafter	<u>-</u>
Total future undiscounted	161,665
Less: interest	<u>(2,766)</u>
Present value of lease liabilities	<u>\$ 158,899</u>

Operating Leases – ASC 840

WELC leases office space at several locations under non-cancelable lease agreements. WELC also leases a copier under a month to month lease agreement. Rental expense under FASB ASC 840 (pre-adoption of the new standard) under the terms of operating leases for the year ended December 31, 2021 was \$116,252.

The aggregate minimum lease payments under the terms of the operating lease agreements under FASB ASC 840, which include exercised lease terms only, as of December 31, 2021 were as follows:

<u>Year Ending December 31,</u>	
2022	\$ 102,749
2023	24,022
2024	3,876
2025	-
2026	-
Thereafter	<u>-</u>
Total	<u>\$ 130,647</u>

9. Concentrations of Revenue Sources

For the year ended December 31, 2022, 55.67 percent of the total grants came from four grantors which comprised 32.45 percent of total revenues, gains, and other support. For the year ended December 31, 2021, 50.87 percent of the total grants came from four grantors which comprised 29.35 percent of total revenues, gains, and other support. For the year ended December 31, 2022, 15.71 percent of the total contributions came from two donors which comprised 3.04 percent of total revenues, gains, and other support. For the year ended December 31, 2021, 17.37 percent of the total contributions came from two donor which comprised 5.65 percent of total revenues, gains, and other support.

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10. Fair Value of Financial Instruments

U.S. GAAP provides the framework for measuring fair value. 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. WELC classifies certain of its assets and liabilities based upon the established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that WELC has the ability to access at the measurement date;

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and

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.

11. 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, 2022 and 2021.

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

Money market funds held in brokerage account: Valued using quoted market prices for identical assets in inactive markets, which is considered a Level 2 input.

Beneficial interest in the assets of community foundations: 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.

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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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 3,714,663	\$ -	\$ 3,714,663
Money market funds	-	814,435	-	814,435
Beneficial interest in the assets of SVCF	-	-	9,724	9,724
Beneficial interest in the assets of OCF	-	-	46,921	46,921
Total fair value assets measured on a recurring basis	<u>\$ -</u>	<u>\$ 4,529,098</u>	<u>\$ 56,645</u>	<u>\$ 4,585,743</u>

The following table sets forth by level, within the fair value hierarchy, WELC's assets at fair value as of December 31, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ -	\$ 2,748,225	\$ -	\$ 2,748,225
Money market funds	-	789,413	-	789,413
Beneficial interest in the assets of OCF	-	-	58,071	58,071
Total fair value assets measured on a recurring basis	<u>\$ -</u>	<u>\$ 3,537,638</u>	<u>\$ 58,071</u>	<u>\$ 3,595,709</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, 2022 and 2021, WELC contributed \$91,833 and \$62,109, respectively, to the plan as employer matching contributions.

13. Contingencies

WELC has elected to self-insure for unemployment in Oregon. The contingent liability is not subject to measurement. In 2022 and 2021, there were two and zero former employees who had been separated from service and were within the unemployment look back period, respectively. The State of Oregon Employment Department required WELC to hold separately an unemployment reserve with a minimum balance of \$10,443 and \$10,442 at December 31, 2022 and 2021, respectively.

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14. Compensated Absences

WELC accrues earned vacation time. The amount payable at December 31, 2022 and 2021, was \$93,075 and \$88,244, 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, 2022 and 2021, the combined balance on these cards was \$10,053 and \$20,350, respectively. As of December 31, 2022 and 2021, the combined available credit on all the cards was \$29,947 and \$19,650, respectively. At December 31, 2022 and 2021, there were credit cards being held by 27 and 18 employees, respectively.