

WASHINGTON ENVIRONMENTAL COUNCIL

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2012

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FOR THE YEAR ENDED
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Independent Auditor's Report

Board of Directors
Washington Environmental Council
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Washington Environmental Council (a not-for-profit organization) as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2011 financial statements; and in our report dated March 1, 2012 we expressed an unqualified opinion on those 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 consolidated 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 the Washington Environmental Council as of December 31, 2012, and the results of their operations and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Dave Bembridge CPA PS
Certified Public Accountant
March 5, 2013

WASHINGTON ENVIRONMENTAL COUNCIL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

	<u>Total 2012</u>	<u>Total 2011</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$1,144,310	\$877,959
Investments (Note Five)	753,935	688,142
Pre-paid Expenses	-	13,760
Accounts Receivable	19,039	9,677
Pledges Receivable	<u>22,398</u>	<u>26,500</u>
Total Current Assets	1,939,682	1,616,038
<u>Property and Equipment</u>		
Equipment net of accumulated depreciation of \$63,641 (2011-\$57,644)	<u>11,381</u>	<u>15,561</u>
Total Property and Equipment	<u>11,381</u>	<u>15,561</u>
<u>Other Asset- Security Deposit</u>	<u>8,111</u>	<u>8,111</u>
TOTAL ASSETS	<u>\$1,959,174</u>	<u>\$1,639,710</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	79,227	\$42,471
Accrued Vacation Payable	<u>18,233</u>	<u>24,149</u>
Total Current Liabilities	<u>97,460</u>	<u>66,620</u>
TOTAL LIABILITIES	<u>97,460</u>	<u>66,620</u>
<u>Net Assets</u>		
Temporarily Restricted (Note Seven)	202,762	93,708
Unrestricted - Board Restricted (Note Eight)	848,226	762,593
Unrestricted - Other	<u>810,726</u>	<u>716,789</u>
Total Unrestricted Net Assets	<u>1,658,952</u>	<u>1,479,382</u>
Total Net Assets	<u>1,861,714</u>	<u>1,573,090</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$1,959,174</u>	<u>\$1,639,710</u>

The accompanying notes are an integral part
of these financial statements.

WASHINGTON ENVIRONMENTAL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
REVENUE:				
Contributions	334,301	180,725	515,026	429,013
Grants	350,000	711,007	1,061,007	715,892
Workplace Campaigns	15,813		15,813	16,236
Events	232,975		232,975	224,882
Donated Goods & Services (Note Nine)	90,327		90,327	128,679
Sales and Reimbursements	19,571		19,571	8,156
Investment Gains	65,793		65,793	(44,299)
Dividends and Interest	<u>21,327</u>	<u>-</u>	<u>21,327</u>	<u>20,414</u>
TOTAL REVENUE	1,130,107	891,732	2,021,839	1,498,973
Net Assets Released from Restrictions	782,678	(782,678)		
EXPENSES:				
Program Services	1,388,299		1,388,299	1,260,064
Management & Administration	59,361		59,361	48,362
Fundraising & Development	<u>285,555</u>	<u>-</u>	<u>285,555</u>	<u>244,245</u>
TOTAL EXPENSES	<u>1,733,215</u>	<u>-</u>	<u>1,733,215</u>	<u>1,552,671</u>
INCREASE IN NET ASSETS	179,570	109,054	288,624	(53,698)
NET ASSETS, BEGINNING	<u>1,479,382</u>	<u>93,708</u>	<u>1,573,090</u>	<u>1,626,788</u>
NET ASSETS, ENDING	<u>\$1,658,952</u>	<u>\$202,762</u>	<u>\$1,861,714</u>	<u>\$1,573,090</u>

The accompanying notes are an integral part of
these financial statements.

**WASHINGTON ENVIRONMENTAL COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Forestry	Education Program	Implement & Enforce	Climate & Clean Energy	People for Puget Sound/ Clean Water	Environmental Priorities	Total Program Services	Management/ Administration/ Development	Total Support Services	2012 Total Expense	2011 Total Expense	
PERSONNEL EXPENSE												
Salaries	\$31,801	\$152,734	\$48,129	\$153,122	\$140,516	\$86,120	\$612,422	\$37,161	174,960	787,382	\$661,048	
Employee Benefits	4,442	20,147	7,091	23,055	16,327	11,549	82,611	5,967	23,396	106,007	94,955	
Payroll Tax Expense	3,585	11,984	5,345	12,096	11,210	8,370	52,590	3,472	15,514	68,104	57,780	
Total Personnel Expense	39,828	184,865	60,565	188,273	168,053	106,039	747,623	46,600	213,870	961,493	813,783	
OTHER EXPENSE												
Legal & Professional Services	9,931	97,995	41,998	86,782	51,384	26,023	314,113	3,668	26,463	340,576	271,297	
Occupancy	5,666	28,502	9,244	20,569	17,661	14,629	96,271	4,380	21,591	117,862	112,542	
Communications	967	3,911	1,646	3,891	4,185	8,795	23,395	591	4,105	27,500	34,532	
Equipment & Software	293	971	515	1,160	1,185	1,135	5,260	326	1,250	6,510	9,534	
Insurance	163	352	339	772	467	547	2,640	150	746	3,386	2,969	
Office Supplies	105	584	156	413	302	247	1,807	201	501	2,308	3,580	
Postage & Delivery	319	162	526	1,691	1,003	834	4,535	176	4,215	8,750	11,486	
Travel	351	230	861	3,683	4,550	2,064	11,739	59	1,112	12,851	12,594	
Training	118	616	205	456	704	421	2,520	62	304	2,824	3,948	
Printing & Publishing	1,505	1,545	2,820	6,812	5,228	5,875	23,785	330	8,777	32,562	32,579	
Miscellaneous	58	295	87	194	198	136	968	298	592	1,560	7,203	
Meetings & Conferences	275	1,480	492	42,113	1,321	10,164	55,845	174	1,154	56,999	25,451	
Membership Dues and Fees	81	817	121	292	252	189	1,752	2,019	5,475	7,227	5,646	
Event Expense	0	0	0	437	0	0	437	0	53,506	53,943	63,137	
Depreciation	288	981	516	1,170	1,183	1,144	5,282	327	1,255	6,537	13,711	
Total Expense before Donated Legal Services	59,948	323,306	120,091	358,708	257,676	178,242	1,297,972	59,361	344,916	1,642,888	1,423,992	
Donated Legal Services	2,687		30,063	53,020	4,557		90,327			90,327	128,679	
TOTAL EXPENSE	\$62,635	\$323,306	\$150,154	\$411,728	\$262,233	\$178,242	\$1,388,299	\$59,361	\$344,916	\$1,733,215	\$1,552,671	

The accompanying notes are an integral part of these financial statements

WASHINGTON ENVIRONMENTAL COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (Decrease) in Net Assets	\$288,624	\$(53,698)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	6,537	13,711
Investment Gains	(65,793)	44,299
Changes in:		
Prepaid Expenses	13,760	2,695
Accounts Receivable	(9,362)	(5,778)
Pledges Receivable	4,102	(11,500)
Accounts Payable	36,756	(7,188)
Accrued Vacation Payable	<u>(5,916)</u>	<u>11,761</u>
Net Cash Provided by Operating Activities	<u>268,708</u>	<u>(5,698)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds on Sale of Investments	-	3,435
Purchase of Equipment	<u>(2,357)</u>	<u>(6,289)</u>
Net Cash Used by Investing Activities	<u>(2,357)</u>	<u>(2,854)</u>
NET (DECREASE) INCREASE IN CASH	266,351	(8,552)
CASH AT BEGINNING OF YEAR	<u>877,959</u>	<u>886,511</u>
CASH AT END OF YEAR	<u>\$1,144,310</u>	<u>\$877,959</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note One - Organization

The Washington Environmental Council (WEC) was founded in January 1968 to increase public understanding and awareness of the impact of modern society on the environment; to encourage the protection and restoration of our natural and historical heritage; encourage comprehensive land use planning; protect the public interest in public lands and resources including air, land and water.

Note Two - Significant Accounting Policies

Basis of Presentation

WEC reports information regarding its financial position and activities according to three classes of net assets. These are permanently restricted net assets, (WEC has none), temporarily restricted net assets, and unrestricted net assets which are based upon the existence and nature of donor-imposed restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that will be met by actions of WEC and/or the passage of time.

Temporarily Restricted Funds are released when the funds are spent for the donor stipulated purpose.

Unrestricted Net Assets

Net assets not subject to donor imposed stipulations. Expirations of temporary restrictions on net assets, that is, the donor imposed stipulated purpose has been accomplished, are reported as reclassifications between the applicable classes of net assets.

Federal Income Tax

Management believes the organization's activities do not generate unrelated business taxable income. Accordingly, no provision for federal income taxes has been made in these financial statements.

Investments

Investments are valued at fair value, which in the case of marketable securities is market value. Appreciation and declines in market value are disclosed in the statement of activities as investment gains/losses.

Property and Equipment

Fixed assets consist primarily of office and computer equipment. Purchased assets are recorded at acquisition cost and donated items are recorded at fair market value as of the date of acquisition.

Depreciation is calculated using the straight-line method over the estimated useful lives of the various assets, ranging from 3-7 years. Depreciation expense for 2012 and 2011 was \$5,997 and \$13,711, respectively.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note Two - Significant Accounting Policies (cont.)

Cash & Cash Equivalents

Cash and cash equivalents include all amounts in banks and savings accounts with maturity dates of less than three months.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

The organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their proper expenditure classification. Other expenses, which are common to several functions, are allocated based on time records and the judgment of management.

Note Three - Programs

Washington Environmental Council uses policy analysis, public education and outreach, legal action and legislative advocacy to advance environmental protection in Washington State. In 2012 the organization focused on the following efforts:

Climate and Clean Energy

The Climate and Clean Energy Agenda is focused on reducing global warming pollution, promoting clean renewable energy, increasing energy efficiency and creating clean green jobs.

Clean Water and Puget Sound

The Clean Water Agenda is focused on reducing the flow of polluted runoff into Puget Sound and rivers and streams across Washington. This will happen by reducing the use of toxic chemicals, investing in green infrastructure and retrofits, and evolving our transportation systems. In the fall of 2012, WEC acquired certain assets and programs from People For Puget Sound. This work is being integrated into this agenda.

Evergreen Forests

Research is being conducted to develop an Evergreen Forest Agenda. It will focus on valuing ecosystem services and benefits as a way to promote more sustainable management of certain forests in Washington.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

(continued)

Note Three – Programs (continued)

Voter Education Program

The goal of the Voter Education Program is to identify voters who care about environmental protection in Washington State and to engage them in non-partisan civic action. This is accomplished through innovation, research and education.

Environmental Priorities

The goal of the Environmental Priorities Coalition is to bring together over twenty environmental organizations across Washington State to build a strong economy that provides everyone with the opportunity to prosper and a clean, healthy and safe environment for ourselves and our children. Each year, the Coalition chooses four priority proposals to advance in the State Capitol which help to achieve these goals.

Implement and Enforce

The goal of the Implement and Enforce Program is to ensure the effective implementation and enforcement of environmental laws through collaboration, legal advocacy and other tactics while providing leadership on broad environmental issues such as advocating for environmental funds in the state budget.

Note Four - Public Support and Revenue

Contributions

Contributions represent cash received from private organizations, individuals and businesses. Some contributions are made for restricted purposes such as specific litigation expenses or a specific program.

Grants

The organization receives grants from various foundations, private organizations, individuals and business to further its program goals. They are recognized as revenue when pledged, subject to the time period of the grant and grantor restrictions.

Donated Goods and Services

Washington Environmental Council receives contributed services (mainly legal services) and gifts in kind from a variety of sources. Contributed services are recognized as income and expense at fair market value. Services that enhance an asset are capitalized. Gifts in kind are recognized at fair market value and are either capitalized or shown as expense based on the item and the value (see Note Nine). Gifts of stocks (marketable securities) are sold immediately and included in contribution income.

Volunteers have donated time to the Washington Environmental Council, which has greatly enhanced the programs and services of the organization. No amounts have been reflected in the accompanying financial statements for these volunteered services, beyond those referred to in the above paragraph, since there was no objective basis to measure the value of such services.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

(continued)

Note Four - Public Support and Revenue (continued)

Events

WEC holds an annual dinner/auction. Income is reported at gross and expenses are reported as event expenses under fundraising on the functional expense statement.

Sales and Reimbursements

Pamphlets, educational materials and voter information related to the organization's charitable purpose are sold to groups and individuals. Board members reimburse the organization for rental and food costs associated with board meetings. From time to time the organization is reimbursed for small expenses paid on behalf of other organizations.

Note Five – Investments

Investments consist of “available for sale” publicly traded securities. The following is the investment activity for the year.

	<u>2012</u>	<u>2011</u>
Beginning Balance	688,142	735,876
Securities Purchased	-	-
Investments Sold	-	(3,435)
Investment Gains	<u>65,793</u>	<u>(44,299)</u>
	<u>\$753,935</u>	<u>\$688,142</u>
Income from Investments		
Investment Gains	65,793	(44,299)
Dividends	<u>19,841</u>	<u>18,199</u>
	<u>\$85,634</u>	<u>\$(26,100)</u>

Disclosure of Fair Value and Fair Value Measurements

WEC measures its investments at fair value on a recurring basis. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels that are ranked to indicate the quality and reliability of the resulting fair value measure: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. WEC uses appropriate valuation techniques, based on the available inputs to measure the fair value of its investments. When available, WEC measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The above investments have been stated using Level 1 inputs.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

(continued)

Note Six - Federal Tax Status

The Washington Environmental Council has been granted exemption from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Washington Environmental Council as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code.

Management has considered the tax positions taken in its tax returns and believes that all of the positions taken by Washington Environmental Council in its federal and state tax returns are more likely than not to be sustained upon examination. Washington Environmental Council's federal tax returns could be subject to examination for three years after they are filed.

Note Seven – Temporarily Restricted Funds

Temporarily Restricted Funds are for the following donor stipulated purposes:

	<u>2012</u>	<u>2011</u>
Environmental Priorities	66,666	-
Voter Education Program	8,346	-
Climate and Clean Energy	28,750	2,500
People for Puget Sound/Clean Water	92,750	66,208
Forestry	6,250	-
Photographic Exhibition	-	15,000
Website Development	-	10,000
	<u>\$202,762</u>	<u>\$93,708</u>

Note Eight – Board Restricted Funds

These funds can only be spent with a Board of Directors' Resolution. This quasi-endowment fund consists of the Vim Wright Fund (VWF) and the Board Restricted Fund (BRF).

	<u>VWF</u>	<u>BRF</u>	<u>2012</u> <u>Total</u>	<u>2011</u> <u>Total</u>
Balance – Beginning of Year	\$31,051	\$731,542	762,593	788,693
Contributions	-	-	-	5,000
Grant	-	-	-	(5,000)
Investment Gains	3,061	62,732	65,793	(44,299)
Dividends and Interest Income	923	18,918	19,841	18,199
	<u>\$35,035</u>	<u>\$813,192</u>	<u>\$848,227</u>	<u>\$762,593</u>
These funds consist of:				
Investments	33,290	720,645	753,935	688,142
Cash	1,745	92,547	94,292	74,451
	<u>\$35,035</u>	<u>\$813,192</u>	<u>\$848,227</u>	<u>\$762,593</u>

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(continued)

Note Nine - Donated Goods and Services

Contributed services and gifts in kind for 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Legal Pro Bono Work	\$90,327	\$128,679
	<u>\$90,327</u>	<u>\$128,679</u>

Hours donated by law firms are valued at the fair market rate for the portion of the legal case in which WEC is involved.

Donated stocks with a value of \$15,396 (2011-\$15,750) were received during the year. They were sold immediately.

Note Ten – Related Party Transactions

The organization shares its offices and some staff with another non-profit organization – Washington Conservation Voters (WCV). WCV owed WEC a net amount of \$2,566 (2011 - \$7,265) for joint expenses as at December 31, 2012. Note Eleven shows the detail of the joint lease commitment.

Note Eleven - Commitments

Property Lease

WEC signed a sixty seven month lease jointly with Washington Conservation Voters (WCV) (a not-for profit organization) August 23, 2007. The lease is for premises at 1402 Third Avenue, Suite 1400, Seattle, and terminates June 10, 2013. The lease is shared 70% WEC and 30% WCV. The following are the minimum lease obligations in terms of this lease:

	<u>Total</u>	<u>70% WEC</u>	<u>30% WCV</u>
2013	\$54,077	\$37,854	\$16,223

Note Twelve – Subsequent Events

Management of the Washington Environmental Council has evaluated events and transactions subsequent to December 31, 2012 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through the date the financial statements became available to be issued, February 21, 2013.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(continued)

Note Thirteen – Voter Education Program

The following is a brief summary of the financial results of the Voter Education Program:

	<u>2012</u>	<u>2011</u>
Revenue	\$ <u>316,313</u>	\$ <u>143,277</u>
Expenses:		
Personnel Expense	184,872	121,155
Legal and Professional Expenses	97,995	72,047
Occupancy	28,502	28,627
Other Expenses	<u>12,010</u>	<u>17,303</u>
Total Expenses	<u>323,379</u>	<u>239,132</u>
Change in Net Assets	\$ <u>(7,066)</u>	\$ <u>(95,855)</u>