

WASHINGTON ENVIRONMENTAL COUNCIL

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2013

WASHINGTON ENVIRONMENTAL COUNCIL

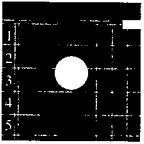
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2013

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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, 2013, 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 2012 financial statements; and in our report dated March 5, 2013 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, 2013, 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
April 8, 2014

WASHINGTON ENVIRONMENTAL COUNCIL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

	<u>Total 2013</u>	<u>Total 2012</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$783,248	\$1,144,310
Investments (Note Five)	1,415,983	753,935
Accounts Receivable	34,258	19,039
Pledges Receivable	<u>114,392</u>	<u>22,398</u>
Total Current Assets	2,347,881	1,939,682
<u>Property and Equipment</u>		
Equipment net of accumulated depreciation of \$71,086 (2012-\$63,641)	<u>10,029</u>	<u>11,381</u>
Total Property and Equipment	<u>10,029</u>	<u>11,381</u>
<u>Other Asset- Security Deposit</u>	<u>9,785</u>	<u>8,111</u>
TOTAL ASSETS	<u>\$2,367,695</u>	<u>\$1,959,174</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	125,187	\$79,227
Accrued Vacation Payable	<u>22,998</u>	<u>18,233</u>
Total Current Liabilities	<u>148,185</u>	<u>97,460</u>
<u>Long Term Liabilities</u>		
Deferred Rent	<u>22,944</u>	<u>-</u>
TOTAL LIABILITIES	<u>171,129</u>	<u>97,460</u>
<u>Net Assets</u>		
Temporarily Restricted (Note Seven)	156,000	202,762
Unrestricted - Board Restricted (Note Eight)	972,139	848,226
Unrestricted - Other	<u>1,068,427</u>	<u>810,726</u>
Total Unrestricted Net Assets	<u>2,040,566</u>	<u>1,658,952</u>
Total Net Assets	<u>2,196,566</u>	<u>1,861,714</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$2,367,695</u>	<u>\$1,959,174</u>

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

WASHINGTON ENVIRONMENTAL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
REVENUE:				
Contributions	574,817	212,167	786,984	515,026
Grants	591,488	518,514	1,110,002	1,061,007
Workplace Campaigns	18,458		18,458	15,813
Events	293,242		293,242	232,975
Donated Goods & Services (Note Nine)	109,286		109,286	90,327
Sales and Reimbursements	12,223		12,223	19,571
Investment Gains	108,524		108,524	65,793
Dividends and Interest	<u>24,951</u>	<u>-</u>	<u>24,951</u>	<u>21,327</u>
TOTAL REVENUE	1,732,989	730,681	2,463,670	2,021,839
Net Assets Released from Restrictions	777,443	(777,443)		
EXPENSES:				
Program Services	1,684,104		1,684,104	1,388,299
Management & Administration	104,458		104,458	59,361
Fundraising & Development	<u>340,256</u>	<u>-</u>	<u>340,256</u>	<u>285,555</u>
Total Support Expenses	444,714	-	444,714	344,916
TOTAL EXPENSES	<u>2,128,818</u>	<u>-</u>	<u>2,128,818</u>	<u>1,733,215</u>
INCREASE IN NET ASSETS	381,614	(46,762)	334,852	288,624
NET ASSETS, BEGINNING	<u>1,658,952</u>	<u>202,762</u>	<u>1,861,714</u>	<u>1,573,090</u>
NET ASSETS, ENDING	<u>\$2,040,566</u>	<u>\$156,000</u>	<u>\$2,196,566</u>	<u>\$1,861,714</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, 2013

	Evergreen Forests	Voter Education Program	Implement & Enforce	Climate & Clean Energy	People for Puget Sound/ Clean Water	Environmental Priorities	Total Program Services	Management/ Administration	Fundraising/ Development	Total Support Services	2013 Total Expense	2012 Total Expense
PERSONNEL EXPENSE												
Salaries	\$35,984	\$128,737	\$52,586	\$158,036	\$280,521	\$108,123	\$763,987	\$46,632	\$170,671	217,303	981,290	\$787,382
Employee Benefits	9,867	23,860	3,057	21,420	26,633	12,464	97,301	2,929	22,392	25,321	122,622	106,007
Payroll Tax Expense	8,274	12,419	2,030	13,239	19,226	9,438	64,626	4,443	16,003	20,446	85,072	68,104
Total Personnel Expense	54,125	165,016	57,673	192,695	326,380	130,025	925,914	54,004	209,066	263,070	1,188,984	961,493
OTHER EXPENSE												
Legal & Professional Services	60,956	55,411	33,227	30,864	171,831	26,540	378,829	5,858	12,882	18,740	397,569	340,576
Occupancy	9,346	26,921	2,825	15,708	21,948	11,161	87,909	26,757	12,452	39,209	127,118	117,862
Communications	2,334	4,233	2,221	8,263	7,855	15,811	40,717	713	4,048	4,761	45,478	27,500
Equipment & Software	1,028	3,068	475	2,110	4,239	3,026	13,946	326	1,316	1,642	15,588	6,510
Insurance	291		72	466	677	332	1,838	113	367	480	2,318	3,386
Office Supplies	404	584	166	1,060	2,051	1,432	5,697	276	777	1,053	6,750	2,308
Postage & Delivery	782	1,080	243	1,359	2,084	960	6,508	248	4,813	5,061	11,569	8,750
Travel	1,980	407	2,249	6,665	13,173	3,449	27,923	267	910	1,177	29,100	12,851
Training	64	627	54	245	629	84	1,703	61	1,151	1,212	2,915	2,824
Printing & Publishing	3,014	1,446	753	5,261	19,178	3,538	33,190	992	15,269	16,261	49,451	32,562
Miscellaneous		4			2,151	9	2,164	5,499		5,499	7,663	1,560
Meetings & Conferences	948	622	374	12,347	9,893	10,181	34,365	295	1,087	1,382	35,747	56,999
Membership Dues and Fees		390					390	2,095	10,719	12,814	13,204	7,227
Investment Fees								6,587		6,587	6,639	
Event Expense					5,564		5,564	20	63,055	63,075	68,639	
Bad Debt Expense		2,687					2,687	11	1,250	1,261	3,948	
Depreciation	867		213	1,388	2,016	990	5,474	336	1,094	1,430	6,904	6,537
Total Expense before Donated Legal Services	136,139	262,496	100,545	278,431	589,669	207,538	1,574,818	104,458	340,256	444,714	2,019,532	1,642,888
Donated Legal Services	26,810		9,925	39,656	32,895		109,286				109,286	90,327
TOTAL EXPENSE	\$162,949	\$262,496	\$110,470	\$318,087	\$622,564	\$207,538	\$1,684,104	\$104,458	\$340,256	\$444,714	\$2,128,818	\$1,733,215

The accompanying notes are an integral part of these financial statements

WASHINGTON ENVIRONMENTAL COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (Decrease) in Net Assets	\$334,852	\$288,624
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	6,904	6,537
Investment Gains	(108,524)	(65,793)
Changes in:		
Accounts Receivable	(15,219)	(9,362)
Pledges Receivable	(91,994)	4,102
Security Deposit	(1,674)	13,760
Accounts Payable	45,960	36,756
Accrued Vacation Payable	4,765	(5,916)
Deferred Rent	<u>22,944</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>198,014</u>	<u>268,708</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds on Sale of Investments	857,967	-
Purchase of Investments	(1,411,491)	-
Purchase of Equipment	<u>(5,552)</u>	<u>(2,357)</u>
Net Cash Used by Investing Activities	<u>(559,076)</u>	<u>(2,357)</u>
NET (DECREASE) INCREASE IN CASH	(361,062)	266,351
CASH AT BEGINNING OF YEAR	<u>1,144,310</u>	<u>877,959</u>
CASH AT END OF YEAR	<u>\$783,248</u>	<u>\$1,144,310</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, 2013

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 2013 and 2012 was \$6,904 and \$6,537, respectively.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 2013 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.

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.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

(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.

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.

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, 2013

(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.

Note Five – Investments

Investments consist of “available for sale” publicly traded securities. The following are the investment activities by category.

	<u>Cost</u>	<u>2013 Fair Value</u>	<u>2012 Fair Value</u>
Board Restricted Funds			
Stocks	100,854	109,750	-
Stock Funds	423,623	455,863	603,734
Bond Funds	336,772	334,398	150,201
Other Investments	<u>51,962</u>	<u>51,946</u>	<u>-</u>
Total Board Restricted Investments	<u>\$913,211</u>	<u>\$951,957</u>	<u>\$753,935</u>
Unrestricted Funds			
Bond Funds	431,894	430,247	-
Other Investments	<u>34,199</u>	<u>33,779</u>	<u>-</u>
Total Unrestricted Funds Investments	<u>\$466,093</u>	<u>\$464,026</u>	<u>\$ -</u>
 Total Investments	 <u>\$1,379,304</u>	 <u>\$1,415,983</u>	 <u>\$ -</u>
 Income from Investments			
Investment Gains		108,524	65,793
Dividends		23,884	19,841
Investment Fees		<u>(6,896)</u>	<u>-</u>
		<u>\$125,512</u>	<u>\$85,634</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, 2013

(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>2013</u>	<u>2012</u>
Environmental Priorities	-	66,666
Voter Education Program	14,167	8,346
Climate and Clean Energy	90,414	28,750
People for Puget Sound/Clean Water	47,919	92,750
Forestry	-	6,250
Development/Training	<u>3,500</u>	<u>-</u>
	<u>\$156,000</u>	<u>\$202,762</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>2013</u>	<u>2012</u>
			<u>Total</u>	<u>Total</u>
Balance – Beginning of Year	\$35,035	\$813,192	848,227	762,593
Investment Gains	4,605	105,987	110,592	65,793
Dividends and Interest Income	884	18,407	19,291	19,841
Investment Fees	<u>(339)</u>	<u>(5,632)</u>	<u>(5,971)</u>	<u>-</u>
Balance – End of Year	<u>\$40,185</u>	<u>\$931,954</u>	<u>\$972,139</u>	<u>\$848,227</u>

These funds consist of:

Investments (Note Five)	39,188	912,769	951,957	753,935
Cash	<u>997</u>	<u>19,185</u>	<u>20,182</u>	<u>94,292</u>
	<u>\$40,185</u>	<u>\$931,954</u>	<u>\$972,139</u>	<u>\$848,227</u>

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

(continued)

Note Nine - Donated Goods and Services

Contributed services and gifts in kind for 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Legal Pro Bono Work	\$ <u>109,286</u>	\$ <u>90,327</u>
	\$ <u>109,286</u>	\$ <u>90,327</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 \$8,477 (2012-\$15,396) 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 \$13,804 (2012 - \$2,566) for joint expenses as at December 31, 2013. Note Eleven shows the detail of the joint lease commitment.

Note Eleven - Commitments

Property Lease

WEC signed a 67.2 month lease jointly with Washington Conservation Voters (WCV) (a not-for profit organization) effective June 10, 2013. The lease is for premises at 1402 Third Avenue, Suite 1400, Seattle, and terminates August 31, 2018. The lease is shared 73.17% WEC and 26.83% WCV. The following are the minimum lease obligations in terms of this lease:

	<u>Total</u>	<u>73.17% WEC</u>	<u>26.83% WCV</u>
2014	172,295	126,068	46,227
2015	177,464	129,850	47,614
2016	182,788	133,746	49,042
2017	188,272	137,759	50,513
2018	<u>128,325</u>	<u>93,895</u>	<u>34,430</u>
	<u>\$849,144</u>	<u>\$621,318</u>	<u>\$227,826</u>

Note Twelve – Subsequent Events

Management of the Washington Environmental Council has evaluated events and transactions subsequent to December 31, 2013 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, March 19, 2014.

WASHINGTON ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(continued)

Note Thirteen – Voter Education Program

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

	<u>2013</u>	<u>2012</u>
Revenue	\$ <u>199,945</u>	\$ <u>316,313</u>
Expenses:		
Personnel Expense	165,016	184,872
Legal and Professional Expenses	55,411	97,995
Occupancy	26,921	28,502
Other Expenses	<u>15,148</u>	<u>12,010</u>
Total Expenses	<u>262,496</u>	<u>323,379</u>
Change in Net Assets	\$ <u>(62,551)</u>	\$ <u>(7,066)</u>