

WASHINGTON ENVIRONMENTAL COUNCIL
(A Washington Nonprofit Corporation)

Financial Statements for the
Year Ended December 31, 2015
(With Comparative Totals for 2014)
and Independent Auditor's Report

WASHINGTON ENVIRONMENTAL COUNCIL
Table of Contents
For the Year Ended December 31, 2015

Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements.....	7

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Washington Environmental Council
Seattle, Washington

We have audited the accompanying financial statements of Washington Environmental Council (a Washington nonprofit corporation), which comprise the statements of financial position as of December 31, 2015, the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 Washington Environmental Council as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Washington Environmental Council as of December 31, 2014 were audited by other auditors whose report dated April 24, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Watson & McDowell, PLLC

May 25, 2016

WASHINGTON ENVIRONMENTAL COUNCIL
Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)

	ASSETS	
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 1,050,485	\$ 927,085
Investments	397,717	545,062
Accounts receivable	13,629	
Due from related party	5,495	4,908
Grants and contributions receivable	57,856	101,366
Total current assets	1,525,182	1,578,421
Property and equipment:		
Office equipment net of accumulated depreciation of \$47,606 and \$47,453, respectively	11,691	10,048
Other assets:		
Board-designated endowment funds	2,831,058	1,253,042
Security deposit	9,785	9,785
Total assets	\$ 4,377,716	\$ 2,851,296

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 115,672	\$ 127,398
Accrued vacation	38,463	32,597
Total current liabilities	154,135	159,995
Long-term liabilities:		
Deferred rent	23,096	22,653
Total liabilities	177,231	182,648
Net assets:		
Unrestricted - Board designated	2,831,058	1,253,042
Unrestricted - Other	1,349,012	1,114,554
Total unrestricted net assets	4,180,070	2,367,596
Temporarily restricted net assets	20,415	301,052
Total net assets	4,200,485	2,668,648
Total liabilities and net assets	\$ 4,377,716	\$ 2,851,296

The accompanying notes should be read with these financial statements.

WASHINGTON ENVIRONMENTAL COUNCIL

Statement of Activities

For the Year Ended December 31, 2015

(With Comparative Totals for 2014)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenue:				
Contributions	\$ 2,384,570	\$ 214,500	\$ 2,599,070	\$ 1,315,021
Grants	594,348	1,283,907	1,878,255	1,218,113
Workplace campaigns	29,218		29,218	25,969
Special Event Revenue, net of expenses of \$75,627 and \$82,749, respectively	(40,952)		(40,952)	(51,846)
Donated goods and services	168,712		168,712	40,658
Investment income	(61,240)		(61,240)	65,458
Other income	82		82	1,522
Net assets released from restriction	<u>1,779,044</u>	<u>(1,779,044)</u>		
	<u>4,853,782</u>	<u>(280,637)</u>	<u>4,573,145</u>	<u>2,614,895</u>
Expenses:				
Program services	<u>2,520,987</u>		<u>2,520,987</u>	<u>1,767,989</u>
Management and administration	157,002		157,002	102,423
Fundraising and development	<u>363,319</u>		<u>363,319</u>	<u>272,401</u>
Total support services	<u>520,321</u>		<u>520,321</u>	<u>374,824</u>
Total expenses	<u>3,041,308</u>		<u>3,041,308</u>	<u>2,142,813</u>
Change in net assets	1,812,474	(280,637)	1,531,837	472,082
Net assets, beginning of year	<u>2,367,596</u>	<u>301,052</u>	<u>2,668,648</u>	<u>2,196,566</u>
Net assets, end of year	<u>\$ 4,180,070</u>	<u>\$ 20,415</u>	<u>\$ 4,200,485</u>	<u>\$ 2,668,648</u>

The accompanying notes should be read with these financial statements.

WASHINGTON ENVIRONMENTAL COUNCIL
Statement of Functional Expenses
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Evergreen Forests	Voter Education Program	Climate & Clean Energy	Puget Sound	Environmental Priorities	Total Program Services	Management & Administration	Fundraising & Development	2015 Total	2014 Total
Salaries and wages	\$ 161,880	\$ 185,724	\$ 252,306	\$ 265,644	\$ 117,698	\$ 983,252	\$ 82,800	\$ 226,545	\$ 1,292,597	\$ 1,118,329
Employee benefits	14,372	24,280	39,764	31,720	13,822	123,958	10,020	34,271	168,249	141,613
Payroll taxes	9,717	15,791	21,000	27,033	9,373	82,914	6,838	22,341	112,093	97,420
	<u>185,969</u>	<u>225,795</u>	<u>313,070</u>	<u>324,397</u>	<u>140,893</u>	<u>1,190,124</u>	<u>99,658</u>	<u>283,157</u>	<u>1,572,939</u>	<u>1,357,362</u>
Legal and professional services	44,048	57,379	284,255	389,846	22,599	798,127	31,479	22,856	852,462	405,889
Occupancy	12,072	30,632	25,509	27,568	10,771	106,552	8,897	20,985	136,434	122,199
Communications	5,940	5,234	8,933	19,021	10,630	49,758	847	3,791	54,396	48,281
Equipment and software	2,136	5,872	4,258	6,247	2,470	20,983	2,498	5,625	29,106	19,493
Insurance	351	430	752	1,160	321	3,014	250	623	3,887	3,170
Office supplies	306	468	936	1,227	295	3,232	1,637	948	5,817	5,234
Postage and delivery	593	678	1,242	14,582	529	17,624	348	5,072	23,044	10,967
Travel	2,972	9,655	7,195	10,955	2,750	33,527	124	462	34,113	27,561
Training	1,056	14,967	3,160	3,494	1,069	23,746	880	2,463	27,089	7,228
Printing and publishing	2,506	8,628	6,211	37,143	2,285	56,773	1,636	7,410	65,819	26,758
Miscellaneous	702	99	555	200	638	2,194	221	699	3,114	1,603
Meetings and conferences	1,426	2,179	31,321	8,221	1,272	44,419	500	3,584	48,503	41,747
Membership dues and fees	28	1,068	938	123	45	2,202	1,888	5,644	9,734	8,417
Bad debt expense										10,250
Depreciation							6,139		6,139	5,996
Total expense before donated legal services	260,105	363,084	688,335	844,184	196,567	2,352,275	157,002	363,319	2,872,596	2,102,155
Donated legal services	<u>2,700</u>	<u>-</u>	<u>963</u>	<u>165,049</u>	<u>-</u>	<u>168,712</u>	<u>-</u>	<u>-</u>	<u>168,712</u>	<u>40,658</u>
Total expense	<u>\$ 262,805</u>	<u>\$ 363,084</u>	<u>\$ 689,298</u>	<u>\$ 1,009,233</u>	<u>\$ 196,567</u>	<u>\$ 2,520,987</u>	<u>\$ 157,002</u>	<u>\$ 363,319</u>	<u>\$ 3,041,308</u>	<u>\$ 2,142,813</u>

The accompanying notes should be read with these financial statements.

WASHINGTON ENVIRONMENTAL COUNCIL
Statement of Cash Flows
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,531,837	\$ 472,082
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,139	5,996
Investment (income) losses	61,240	(22,675)
Decrease (increase) in operating assets:		
Accounts receivable	13,629	20,454
Due from related party	(587)	8,896
Grants and contributions receivable	43,510	13,026
Increase (decrease) in operating liabilities:		
Accounts payable	(11,726)	2,211
Accrued vacation payable	5,866	9,599
Deferred rent	443	(291)
Net cash provided by (used in) operating activities	<u>1,650,351</u>	<u>509,298</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	137,492	73,315
Purchase of investments	(1,656,661)	(432,761)
Purchase of equipment	(7,782)	(6,015)
Net cash used for investing activities	<u>(1,526,951)</u>	<u>(365,461)</u>
Net increase (decrease) in cash and cash equivalents	123,400	143,837
Cash and cash equivalents, beginning of year	<u>927,085</u>	<u>783,248</u>
Cash and cash equivalents, end of year	<u>\$ 1,050,485</u>	<u>\$ 927,085</u>

The accompanying notes should be read with these financial statements.

WASHINGTON ENVIRONMENTAL COUNCIL
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1 - NATURE OF THE ORGANIZATION

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

Washington Environmental Council uses policy analysis, public education and outreach, legal action and legislative advocacy to advance environmental protection in Washington State. In 2015 the organization focused on the following efforts:

Climate and Clean Energy

WEC works to move the dial on state policy to reduce greenhouse gas emissions by setting scientifically based, effective, and equitable limits, pricing global warming pollution and implementing other carbon reducing policies. We do this in order to transition off fossil fuel and to a clean energy economy.

Puget Sound

The Puget Sound program is focused on reducing the flow of polluted runoff into Puget Sound, reducing the risk of an oil spill into Puget Sound, protecting Puget Sound habitats, and building public support and political will for the protection and restoration of Puget Sound.

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 us and our children. Each year the Coalition chooses a select number of priorities to advance in the State Capitol that will help to achieve these goals.

Voter Education Program

The goal of the Voter Education Program is to grow the pool of pro-environment voters and provide them with credible information on environmental issues, opportunities to advocate for environmental policies, and amplified power as part of a broad environmental movement.

Evergreen Forests

WEC's Evergreen Forests program works to ensure Washington has a strong regulatory and policy framework that guides the responsible management of state and private forests. Additionally, through our Growing Our Future campaign, we are working to improve the management of Washington's private forests by providing landowners with financial incentives for approaches that better protect clean water, habitat, and mitigate climate pollution. This program is an exciting intersection of WEC's climate campaign, clean water work, and longtime commitment to forest protection.

WASHINGTON ENVIRONMENTAL COUNCIL
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: permanently restricted net assets, temporarily restricted, and unrestricted. The Organization had no permanently restricted net assets at December 31, 2015.

Fair Value and Fair Value Measurements

WEC measures its investments and board-designated endowment funds 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, the Organization 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. During the year ended December 31, 2015, the investments and board-designated endowment funds have been stated using Level 1 inputs.

Grants and contributions receivable

Grants and contributions receivable consist of unconditional promises to give. Conditional grants and contributions are recognized only when the conditions on which they depend are substantially met and the pledge becomes unconditional. Management has deemed all grants and contributions to be collectible. Grants and contributions receivable at December 31, 2015 are expected to be realized within one year.

Fixed assets and depreciation

Furniture and equipment are recorded at cost. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of three to five years.

Functional expenses

The costs of providing various programs, administrative services and fundraising have been allocated and summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

WASHINGTON ENVIRONMENTAL COUNCIL
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Restricted and unrestricted revenue and support

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Federal income tax

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization's income tax filings are subject to examination by various taxing authorities.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

NOTE 3 - CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

At times, cash deposits, including amounts held in reserves, exceed the federally insured limits of the financial institution and expose the Organization to credit risk. At December 31, 2015, the Organization's deposits were \$248,352 over the federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

WASHINGTON ENVIRONMENTAL COUNCIL
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 4 - INVESTMENTS AND BOARD DESIGNATED ENDOWMENT FUNDS

At December 31, 2015, investments and board designated endowment funds consisted of the following:

	<u>Investments</u>	<u>Board Designated Endowments</u>
Cash	\$ 30,513	\$ 49,039
Mutual funds	367,204	414,345
Bonds and fixed income funds		1,142,588
Stocks		1,225,086
	<u>\$ 397,717</u>	<u>\$ 2,831,058</u>

Investment income (loss) consisted of the following during the year ended December 31, 2015:

	<u>Investments</u>	<u>Board Designated Endowments</u>	<u>Total</u>
Dividends and interest	\$ 4,194	\$ 24,821	\$ 29,015
Realized and unrealized gains (losses)	(60,755)	(29,500)	(90,255)
	<u>\$ (56,561)</u>	<u>\$ (4,679)</u>	<u>\$ (61,240)</u>

Investment expenses for the year ended December 31, 2015, were \$21,881 and are included in professional fees on the statement of activities.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015, temporarily restricted net assets consisted of funds restricted for development training.

NOTE 6 - LINE OF CREDIT

During the year ended December 31, 2015, the Organization had an unused \$200,000 line of credit with a bank. Borrowings on the line of credit bear variable interest at the U.S. prime rate plus 0.75 percent (4.00% at December 31, 2015). The line of credit expires May 11, 2016.

WASHINGTON ENVIRONMENTAL COUNCIL

Notes to Financial Statements

For the Year Ended December 31, 2015

NOTE 7 - BOARD DESIGNATED ENDOWMENT FUNDS

The Organization’s Board of Directors maintains a policy to designate amounts of unrestricted net assets for specified purposes.

The Vim Wright Fund (VWF) is intended to protect and nurture Washington’s environmental health through communication among stakeholders, research, internships, and recognition of outstanding environmental accomplishment with the “VIM Award.” The governing document states that the balance shall be at least \$35,000 at all times, that no more than 10 percent of the fund’s total balance may be appropriated in a given year, and that VIM Awards are to be made by the board of the Organization based on the recommendations of the VIM Advisory Committee. The assets are invested with the goal of preserving the fund’s minimum funding requirements.

The Board Restricted Fund (BRF) is a general endowment established to provide funding to further the Organization’s objectives. The governing document establishes and Investment Committee to monitor the fund’s investment activity. The investment policy is focused on preservation of capital and risk aversion. The Investment Committee has set an annual spending limit of 5 percent of the fund’s portfolio value.

Activity in the board designated endowment funds during 2015 was as follows:

	VWF	BRF	Total Board- Designated Unrestricted Net Assets
Balance, December 31, 2014	\$ 41,489	\$ 1,211,553	\$ 1,253,042
Additions		1,599,935	1,599,935
Fees	(390)	(16,850)	(17,240)
Dividends and interest	579	24,242	24,821
Realized and unrealized gains (losses)	(782)	(28,718)	(29,500)
Balance, December 31, 2015	\$ 40,896	\$ 2,790,162	\$ 2,831,058

NOTE 8 - IN-KIND CONTRIBUTIONS

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. In-kind contributions for legal services of \$168,712 were recognized in 2015.

WASHINGTON ENVIRONMENTAL COUNCIL
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 9 - RELATED PARTY TRANSACTIONS

In 2014, the Organization entered into an agreement with Washington Conservation Voters (WCV) to share management, personnel, office space, supplies, utilities and other resources. Under the terms of the agreement, both agencies charge each other for costs incurred under the agreement. During the year ended December 31, 2015, the Organization received reimbursement of approximately \$223,000 for costs incurred on behalf of WCV. In addition, the Organization paid approximately \$241,000 to WCV for costs incurred on behalf of the Organization. At December 31, 2015, the Organization had a net receivable from WCV of \$5,334.

NOTE 10 - OPERATING LEASE

The Organization leases office under a non-cancellable operating lease expiring in August 2018. Rent expense under this lease was \$136,434 in 2015. The Organization has recorded a deferred rent liability to reflect the difference between scheduled rent payments and straight-line rent expense. Future minimum payments under this lease are as follows:

2016	\$ 131,607
2017	135,556
2018	<u>92,394</u>
	<u>\$ 359,557</u>

NOTE 11 - RETIREMENT PLAN

The Organization has established a qualified defined-contribution 401K plan and trust covering all eligible employees. The Organization matches employees' voluntary contributions up to three percent of gross salary. The Organization may also make additional contributions at its discretion. Employer discretionary and matching contributions are immediately vested. The Organization's contribution to the plan totaled \$34,555 in 2015.

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 25, 2016, which is the date the financial statements were available to be issued, and has determined that there are no material subsequent events that require recognition or additional disclosure.