



WESTERN RESOURCE
ADVOCATES

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

**Combined Financial Statements
and
Independent Auditors' Report
December 31, 2008**

EKS&H
**EHRHARDT • KEEFE
STEINER • HOTTMAN PC**
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Combined Financial Statements	
Combined Statement of Financial Position.....	2
Combined Statement of Activities.....	3
Combined Statement of Cash Flows.....	4
Notes to Combined Financial Statements.....	5

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Western Resource Advocates and
Environmental Center of the Rockies
Boulder, Colorado

We have audited the accompanying combined statement of financial position of Western Resource Advocates and Environmental Center of the Rockies (Colorado nonprofit corporations) (collectively, the "Organization") as of December 31, 2008, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2008, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Ehrhardt Keefe Steiner & Hottman PC

April 2, 2009
Denver, Colorado

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

**Combined Statement of Financial Position
December 31, 2008**

Assets

Current assets	
Cash and cash equivalents	\$ 3,150,412
Accounts receivable	19,139
Promises to give	875,000
Prepaid expenses	<u>33,184</u>
Total current assets	<u>4,077,735</u>
Non-current assets	
Property and equipment, less accumulated depreciation of \$730,923	757,711
Investments	<u>222,138</u>
Total non-current assets	<u>979,849</u>
Total assets	<u>\$ 5,057,584</u>

Liabilities and Net Assets

Current liabilities	
Line-of-credit	\$ 17,463
Accounts payable	105,994
Accrued liabilities	53,869
Amounts held on behalf of others	358,141
Note payable, current portion	<u>15,631</u>
Total current liabilities	551,098
Note payable, net of current portion	<u>65,610</u>
Total liabilities	<u>616,708</u>
Commitments	
Net assets	
Unrestricted	
Board designated endowment	222,138
Undesignated	<u>1,610,829</u>
Total unrestricted net assets	1,832,967
Temporarily restricted	<u>2,607,909</u>
Total net assets	<u>4,440,876</u>
Total liabilities and net assets	<u>\$ 5,057,584</u>

See notes to combined financial statements.

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

**Combined Statement of Activities
For the Year Ended December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and support			
Contributions	\$ 184,515	\$ 325,935	\$ 510,450
Grants	103,000	3,768,170	3,871,170
Government contracts	-	97,382	97,382
Administrative fees	78,670	-	78,670
Interest income	47,412	-	47,412
Unrealized (loss) on investments	(83,227)	-	(83,227)
In-kind	-	2,547	2,547
Rental income	89,859	-	89,859
Miscellaneous	<u>1,596</u>	<u>40,163</u>	<u>41,759</u>
	421,825	4,234,197	4,656,022
Net assets released from restrictions	<u>3,267,395</u>	<u>(3,267,395)</u>	<u>-</u>
Total revenues, gains and support	<u>3,689,220</u>	<u>966,802</u>	<u>4,656,022</u>
Expenses			
Program services			
Energy	1,906,995	-	1,906,995
Lands	577,497	-	577,497
Water	333,377	-	333,377
Utah	203,660	-	203,660
Communications and outreach	87,662	-	87,662
Fiscal sponsorship	<u>81,425</u>	<u>-</u>	<u>81,425</u>
Total program services	<u>3,190,616</u>	<u>-</u>	<u>3,190,616</u>
Supporting services			
Fundraising	146,142	-	146,142
General administrative	<u>289,225</u>	<u>-</u>	<u>289,225</u>
Total supporting services	<u>435,367</u>	<u>-</u>	<u>435,367</u>
Total expenses	<u>3,625,983</u>	<u>-</u>	<u>3,625,983</u>
Change in net assets	63,237	966,802	1,030,039
Net assets - beginning of year	<u>1,769,730</u>	<u>1,641,107</u>	<u>3,410,837</u>
Net assets - end of year	<u>\$ 1,832,967</u>	<u>\$ 2,607,909</u>	<u>\$ 4,440,876</u>

See notes to combined financial statements.

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Combined Statement of Cash Flows

Cash flows from operating activities	
Change in net assets	\$ <u>1,030,039</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	57,034
Unrealized loss on investments	83,227
Changes in assets and liabilities	
Accounts receivable	(7,190)
Promises to give	(619,467)
Prepaid expenses	(1,276)
Accounts payable	76,712
Accrued liabilities	17,857
Amounts held on behalf of others	<u>146,066</u>
	<u>(247,037)</u>
Net cash provided by operating activities	<u>783,002</u>
Cash flows from investing activities	
Purchase of investments	(9,835)
Purchases of equipment	<u>(42,519)</u>
Net cash used in investing activities	<u>(52,354)</u>
Cash flows from financing activities	
Payments on note payable	<u>(14,599)</u>
Net cash used in financing activities	<u>(14,599)</u>
Net increase in cash and cash equivalents	716,049
Cash and cash equivalents - beginning of year	<u>2,434,363</u>
Cash and cash equivalents - end of year	<u>\$ 3,150,412</u>

Supplemental disclosure of non-cash activity:

During 2008, the Organization financed a deposit on building improvements with a line-of-credit in the amount of \$17,463.

Cash paid for interest during the year ended 2008 was \$5,030.

See notes to combined financial statements.

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Notes to Combined Financial Statements

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization

Western Resources Advocates ("WRA") is a nonprofit law and policy organization dedicated to protecting and restoring the West's land, air, and water. WRA's lawyers, analysts, and economists work to (1) advance clean energy to reduce pollution and the impacts of climate change; (2) promote urban water conservation and river restoration; and (3) defend special public lands from inappropriate energy development and unauthorized off-road vehicle travel. WRA recognizes that success can only come from working collaboratively with other conservation groups, hunters and fishermen, ranchers, American Indians, and all those who seek a sustainable future for this remarkable part of the country.

Environmental Center of the Rockies ("ECR") is a charitable tax-exempt organization that owns the building in which WRA leases space for its main operations. In addition, ECR provides grants predominantly to WRA and to a lesser extent to other tax-exempt organizations.

Principles of Combination

The financial statements of WRA have been combined with those of ECR as related organizations in accordance with Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*. Collectively, WRA and ECR are referred to as the "Organization." All intercompany transactions have been eliminated.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Organization are reported separately by class:

Unrestricted amounts are those currently available at the discretion of the Board for use in Organization operations and those resources invested in property and equipment.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor; but the Organization is permitted to use or expend part or all of any income derived from those assets. As of December 31, 2008, the Organization had no permanently restricted net assets.

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Notes to Combined Financial Statements

**Note 1 - Description of Organization and Summary of Significant Accounting Policies
(continued)**

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers cash and cash equivalents to be cash on hand and amounts held on deposit in financial institutions. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Organization uses the allowance method of accounts receivable valuation. At December 31, 2008, the Organization deemed all accounts receivable to be collectible based on management's analysis and prior year's experience; therefore, no allowance has been established.

Promises to Give

Unconditional promises to give are recognized as temporarily restricted revenue in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of December 31, 2008, management expects that all promises to give will be fully collectible; accordingly, there is no allowance for uncollectible promises to give.

Property and Equipment

Property and equipment are stated at cost, or fair value if contributed. Expenditures for maintenance, repairs, and minor replacements are charged to operations, and expenditures for major replacements and betterments of \$1,000 or greater are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of 3 to 39 years.

Investments

Long-term investments consist of an index mutual fund, which invests in cash, bonds, and equities. In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, all investments in debt and equity securities with readily determinable fair values are reported at their fair value using quoted market values. Unrealized gains and losses are included in the accompanying combined statement of activities.

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Notes to Combined Financial Statements

**Note 1 - Description of Organization and Summary of Significant Accounting Policies
(continued)**

Contributions and Grants

The Organization accounts for contributions and grants pursuant to SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Organization. Temporarily restricted amounts are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions. Temporarily restricted contributions whose restrictions are met in the same year are classified as unrestricted in the statement of activities.

Contributed Services

Donated services are reflected as contributions in-kind at the estimated fair values at the date of receipt.

Donated services are recognized as contributions in accordance with SFAS No. 116 if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Functional Allocation of Expenses

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

Tax Exempt Status

WRA and ECR are both exempt from federal tax under Section 501(c)(3) of Internal Revenue Code. They have been classified as organizations that are not private foundations under Section 509(a) of Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to the Organization. Accordingly, the accompanying financial statements contain no provision for income taxes.

Use of Estimates

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

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Notes to Combined Financial Statements

**Note 1 - Description of Organization and Summary of Significant Accounting Policies
(continued)**

Valuation of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, investments and contributions, and promises to give. The Organization manages deposit concentration risk by placing its temporary cash and money market accounts with creditworthy, high-quality financial institutions. The Organization's cash deposits are held at a financial institution at which deposits are insured up to \$250,000 by the FDIC. As of December 31, 2008 the Organization's cash balance exceeded the FDIC limit by approximately \$2,860,000.

As of December 31, 2008 three foundations accounted for 68% of revenue. One foundation accounted for 88% of accounts receivable and promises to give.

Fair Value

Effective January 1, 2008, the Organization adopted SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability.
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The carrying amounts of significant financial assets required to be measured at fair value on a recurring basis include investments, whose fair value is determined by quotes in active markets as of December 31, 2008. These financial assets fall under Level 1 in the fair value hierarchy.

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Notes to Combined Financial Statements

Note 2 - Investments

Investments are in a composite mutual fund and are stated at their fair market values. The mutual fund consists of the following at December 31, 2008:

Cash	\$ 10,863
Bonds	76,482
Equities	<u>134,793</u>
Long-term investments	<u>\$ 222,138</u>

These investments represent the board designated endowment fund (Note 8).

Note 3 - Property and Equipment

The Organization's property and equipment are comprised of the following at December 31, 2008:

Land and land improvements	\$ 245,224
Buildings and improvements	1,151,647
Furniture and equipment	74,300
Construction in progress	<u>17,463</u>
	1,488,634
Less accumulated depreciation	<u>(730,923)</u>
	<u>\$ 757,711</u>

Note 4 - Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets represent the net proceeds of donations which have been restricted by the donors to be used only for the following purposes as of December 31, 2008:

Energy programs	\$ 1,538,964
Public lands	183,802
Water project	529,453
Communications and outreach	136,630
Utah	<u>219,060</u>
	<u>\$ 2,607,909</u>

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Notes to Combined Financial Statements

Note 5 - Line-of-Credit

The Organization has a \$250,000 line-of-credit with a bank, which bears interest at prime (3.25% at December 31, 2008) and matures November 2009. The balance outstanding as of December 31, 2008 was \$17,463. The line is collateralized by real property at 2260 Baseline Road and other accounts and deposits of the Organization.

Note 6 - Note Payable

Note payable at December 31, 2008 is as follows:

Note payable to a bank at 6%, with monthly payments of principal and interest of \$1,670, maturing in August 2013. The note is secured by real property located at 2260 Baseline Road.	\$ 81,241
Less current portion	<u>(15,631)</u>
Long-term portion of note payable	<u>\$ 65,610</u>

Future minimum payments under this note are as follows:

For the Year Ending December 31,

2009	\$ 15,631
2010	16,596
2011	17,619
2012	18,706
2013	<u>12,689</u>
	<u>\$ 81,241</u>

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Notes to Combined Financial Statements

Note 7 - Commitments

Operating Lease

The Organization leases facilities and office equipment under noncancelable operating leases, which expire at various times between October 2009 and December 2012. Rent expense was \$20,646 for the year ended December 31, 2008. Future minimum lease payments under the agreements are approximately:

For the Year Ending December 31,

2009	\$ 43,300
2010	22,700
2011	21,400
2012	<u>1,400</u>
	<u>\$ 88,800</u>

Note 8 - Investments in Board Designated Endowment

The Board has designated net assets for endowment. On May 20, 2005, the Organization established an Endowment Committee (the "Committee") to manage the unrestricted contributions received from the Rudd Mayer estate. The contribution shall be known as the Rudd Mayer Memorial Endowment (the "Fund"). The Committee shall annually distribute five percent of the fund unless otherwise approved by a two-thirds vote of the Board of Directors. During 2008, the Board voted not to distribute any funds. As of December 31, 2008, the Board designated net assets amounted to \$222,138. The investment policy is to invest in a composite mutual fund, which is allocated as follows: 5% cash, 35% bonds, and 60% equities.

Invested endowment net asset composition by type of fund as of December 31, 2008:

	<u>Unrestricted</u>
Board designated	<u>\$ 222,138</u>

**WESTERN RESOURCE ADVOCATES AND
ENVIRONMENTAL CENTER OF THE ROCKIES**

Notes to Combined Financial Statements

Note 8 - Investments in Board Designated Endowment (continued)

Changes in invested endowment net assets for the fiscal year ended December 31, 2008:

	<u>Unrestricted</u>
Endowment net assets, beginning of year	\$ 295,530
Investment return	
Investment income	8,835
Net (depreciation)	<u>(83,227)</u>
Total investment return	(74,392)
Contributions	<u>1,000</u>
Endowment net assets, end of year	\$ <u>222,138</u>

Note 9 - Contributed Services

Contributed services are reflected in the financial statements at the estimated fair value at the date of receipt, the majority of which is reflected in the water expenses. Contributed services consisted of legal fees which amounted to \$2,547 as of December 31, 2008.

Note 10 - Related Party Transactions

Effective December 31, 2002, the operations based in the Idaho office incorporated as a separate entity. During 2003, the Organization and the Idaho office entered into a separation agreement. This agreement gave the Organization rights to certain future attorney fee awards. Under this agreement, the Organization did not receive any attorney fee awards during the year ended December 31, 2008. During the year ended December 31, 2008, the Organization paid \$28,369 to a non-voting board member for accounting services rendered.

Note 11 - Retirement Plan

The Organization has a defined contribution section 401(k) plan ("the Plan"). The Plan covers all employees of the Organization. During the year ended December 31, 2008, the Organization matched 100% of employees' contributions up to 3%. Subsequent to year end, the Organization increased the employer's match to 100% of the first 5% of employees' contributions starting in 2009. Matching contributions were \$35,676 for the year ended December 31, 2008.