



PROTECTING THE WEST'S LAND, AIR, AND WATER

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

**Combining Financial Statements
and
Independent Auditors' Report
December 31, 2016 and 2015**

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AUDIT | TAX | CONSULTING

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combining financial statements of Western Resource Advocates and Environmental Center of the Rockies, which are comprised of the combining statement of financial position as of December 31, 2016 and 2015, and the related combining statements of activities and cash flows for the years then ended, and the related notes to the combining financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE COMBINING FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these combining 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 combining financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combining financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combining 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 combining financial statements.

To the Board of Directors
Western Resource Advocates and Environmental Center of the Rockies
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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 combining financial statements referred to above present fairly, in all material respects, the financial position of Western Resource Advocates and Environmental Center of the Rockies as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EKS+H LLLP
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April 6, 2017
Denver, Colorado

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

**Combining Statement of Financial Position
December 31, 2016**

	<u>Western Resource Advocates</u>	<u>Environmental Center of the Rockies</u>	<u>Eliminations</u>	<u>Combined</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 4,181,474	\$ 268,194	\$ -	\$ 4,449,668
Accounts receivable	1,873	-	-	1,873
Grants and pledges receivable	258,875	-	-	258,875
Prepaid expenses	<u>80,633</u>	<u>3,526</u>	<u>(9,443)</u>	<u>74,716</u>
Total current assets	<u>4,522,855</u>	<u>271,720</u>	<u>(9,443)</u>	<u>4,785,132</u>
Non-current assets				
Property and equipment, net	52,709	924,441	-	977,150
Investments	<u>786,230</u>	<u>-</u>	<u>-</u>	<u>786,230</u>
Total non-current assets	<u>838,939</u>	<u>924,441</u>	<u>-</u>	<u>1,763,380</u>
Total assets	<u>\$ 5,361,794</u>	<u>\$ 1,196,161</u>	<u>\$ (9,443)</u>	<u>\$ 6,548,512</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 56,265	\$ -	\$ -	\$ 56,265
Accrued liabilities	68,302	18,713	(9,443)	77,572
Pass-through grants	75,000	-	-	75,000
Note payable, current portion	<u>-</u>	<u>45,384</u>	<u>-</u>	<u>45,384</u>
Total current liabilities	199,567	64,097	(9,443)	254,221
Note payable, net of current portion	<u>-</u>	<u>474,014</u>	<u>-</u>	<u>474,014</u>
Total liabilities	<u>199,567</u>	<u>538,111</u>	<u>(9,443)</u>	<u>728,235</u>
Commitments				
Net assets				
Unrestricted				
Board-designated endowment	593,653	-	-	593,653
Undesignated	<u>2,558,448</u>	<u>658,050</u>	<u>-</u>	<u>3,216,498</u>
Total unrestricted net assets	3,152,101	658,050	-	3,810,151
Temporarily restricted	<u>2,010,126</u>	<u>-</u>	<u>-</u>	<u>2,010,126</u>
Total net assets	<u>5,162,227</u>	<u>658,050</u>	<u>-</u>	<u>5,820,277</u>
Total liabilities and net assets	<u>\$ 5,361,794</u>	<u>\$ 1,196,161</u>	<u>\$ (9,443)</u>	<u>\$ 6,548,512</u>

See notes to combined financial statements.

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

**Combining Statement of Financial Position
December 31, 2015**

	Western Resource Advocates	Environmental Center of the Rockies	Eliminations	Combined
Assets				
Current assets				
Cash and cash equivalents	\$ 4,002,549	\$ 277,487	\$ -	\$ 4,280,036
Accounts receivable	2,125	-	-	2,125
Grants and pledges receivable, current portion	1,079,811	-	-	1,079,811
Prepaid expenses	<u>62,612</u>	<u>3,022</u>	<u>(14,658)</u>	<u>50,976</u>
Total current assets	<u>5,147,097</u>	<u>280,509</u>	<u>(14,658)</u>	<u>5,412,948</u>
Non-current assets				
Property and equipment, net	45,924	981,099	-	1,027,023
Investments	707,909	-	-	707,909
Grants and pledges receivable, less current portion	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total non-current assets	<u>793,833</u>	<u>981,099</u>	<u>-</u>	<u>1,774,932</u>
Total assets	<u>\$ 5,940,930</u>	<u>\$ 1,261,608</u>	<u>\$ (14,658)</u>	<u>\$ 7,187,880</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 28,623	\$ 525	\$ -	\$ 29,148
Accrued liabilities	43,975	23,928	(14,658)	53,245
Pass-through grants	75,000	-	-	75,000
Note payable, current portion	<u>-</u>	<u>40,448</u>	<u>-</u>	<u>40,448</u>
Total current liabilities	147,598	64,901	(14,658)	197,841
Note payable, net of current portion	<u>-</u>	<u>520,254</u>	<u>-</u>	<u>520,254</u>
Total liabilities	<u>147,598</u>	<u>585,155</u>	<u>(14,658)</u>	<u>718,095</u>
Commitments				
Net assets				
Unrestricted				
Board-designated endowment	527,178	-	-	527,178
Undesignated	<u>1,983,092</u>	<u>676,453</u>	<u>-</u>	<u>2,659,545</u>
Total unrestricted net assets	2,510,270	676,453	-	3,186,723
Temporarily restricted	<u>3,283,062</u>	<u>-</u>	<u>-</u>	<u>3,283,062</u>
Total net assets	<u>5,793,332</u>	<u>676,453</u>	<u>-</u>	<u>6,469,785</u>
Total liabilities and net assets	<u>\$ 5,940,930</u>	<u>\$ 1,261,608</u>	<u>\$ (14,658)</u>	<u>\$ 7,187,880</u>

See notes to combined financial statements.

WESTERN RESOURCE ADVOCATES AND ENVIRONMENTAL CENTER OF THE ROCKIES

**Combining Statement of Activities
For the Year Ended December 31, 2016**

	Unrestricted			Temporarily Restricted			Total Temporarily Restricted	Combined	Percent of Total	
	Western Resource Advocates	Environmental Center of the Rockies	Eliminations	Total Unrestricted	Western Resource Advocates	Environmental Center of the Rockies				Eliminations
Revenues, gains, and support										
Contributions	\$ 195,824	\$ -	\$ -	\$ 195,824	\$ 362,942	\$ -	\$ -	\$ 362,942	\$ 558,766	14.6 %
Family foundation grants	-	-	-	-	453,721	-	-	453,721	453,721	11.9
Grants	422,841	-	-	422,841	2,086,529	-	-	2,086,529	2,509,370	65.7
Professional fees	19,996	-	-	19,996	26,720	-	-	26,720	46,716	1.2
Interest income	49,546	134	-	49,680	2,836	-	-	2,836	52,516	1.4
Unrealized gain on investments	48,182	-	-	48,182	9,010	-	-	9,010	57,192	1.5
Rental income	-	151,196	(83,429)	67,767	-	-	-	-	67,767	1.8
Special events revenue	69,625	-	-	69,625	-	-	-	-	69,625	1.9
Miscellaneous	<u>5,167</u>	<u>-</u>	<u>-</u>	<u>5,167</u>	<u>73</u>	<u>-</u>	<u>-</u>	<u>73</u>	<u>5,240</u>	<u>-</u>
	811,181	151,330	(83,429)	879,082	2,941,831	-	-	2,941,831	3,820,913	100
Net assets released from restrictions	<u>4,214,767</u>	<u>-</u>	<u>-</u>	<u>4,214,767</u>	<u>(4,214,767)</u>	<u>-</u>	<u>-</u>	<u>(4,214,767)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and support	<u>5,025,948</u>	<u>151,330</u>	<u>(83,429)</u>	<u>5,093,849</u>	<u>(1,272,936)</u>	<u>-</u>	<u>-</u>	<u>(1,272,936)</u>	<u>3,820,913</u>	<u>100 %</u>
Expenses										
Program services										
Clean energy	2,071,843	-	(21,975)	2,049,868	-	-	-	-	2,049,868	45.9 %
Healthy rivers	1,215,342	-	(23,712)	1,191,630	-	-	-	-	1,191,630	26.7
Western lands	78,352	-	-	78,352	-	-	-	-	78,352	1.8
Utah environment	<u>388,882</u>	<u>-</u>	<u>-</u>	<u>388,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,882</u>	<u>8.7</u>
Total program services	<u>3,754,419</u>	<u>-</u>	<u>(45,687)</u>	<u>3,708,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,708,732</u>	<u>83.1</u>
Supporting services										
Fundraising	543,633	-	(16,852)	526,781	-	-	-	-	526,781	11.8
General administrative	<u>86,065</u>	<u>169,733</u>	<u>(20,890)</u>	<u>234,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,908</u>	<u>5.1</u>
Total supporting services	<u>629,698</u>	<u>169,733</u>	<u>(37,742)</u>	<u>761,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>761,689</u>	<u>16.9</u>
Total expenses	<u>4,384,117</u>	<u>169,733</u>	<u>(83,429)</u>	<u>4,470,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,470,421</u>	<u>100 %</u>
Change in net assets	641,831	(18,403)	-	623,428	(1,272,936)	-	-	(1,272,936)	(649,508)	
Net assets - beginning of year	<u>2,510,270</u>	<u>676,453</u>	<u>-</u>	<u>3,186,723</u>	<u>3,283,062</u>	<u>-</u>	<u>-</u>	<u>3,283,062</u>	<u>6,469,785</u>	
Net assets - end of year	<u>\$ 3,152,101</u>	<u>\$ 658,050</u>	<u>\$ -</u>	<u>\$ 3,810,151</u>	<u>\$ 2,010,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,010,126</u>	<u>\$ 5,820,277</u>	

See notes to combined financial statements.

WESTERN RESOURCE ADVOCATES AND ENVIRONMENTAL CENTER OF THE ROCKIES

**Combining Statement of Activities
For the Year Ended December 31, 2015**

	Unrestricted			Temporarily Restricted			Total Temporarily Restricted	Combined	Percent of Total	
	Western Resource Advocates	Environmental Center of the Rockies	Eliminations	Total Unrestricted	Western Resource Advocates	Environmental Center of the Rockies				Eliminations
Revenues, gains, and support										
Contributions	\$ 25,208	\$ -	\$ -	\$ 25,208	\$ 426,721	\$ -	\$ -	\$ 426,721	\$ 451,929	9.2 %
Family foundation grants	74,000	-	-	74,000	560,314	-	-	560,314	634,314	12.9
Grants	389,814	-	-	389,814	3,192,672	-	-	3,192,672	3,582,486	73.1
Professional fees	82,530	-	-	82,530	-	-	-	-	82,530	1.7
Interest income	33,062	159	-	33,221	3,596	-	-	3,596	36,817	0.8
Unrealized loss on investments	(31,685)	-	-	(31,685)	(3,868)	-	-	(3,868)	(35,553)	(0.7)
In-kind services or products	328	-	-	328	6,577	-	-	6,577	6,905	0.1
Rental income	-	163,433	(125,145)	38,288	-	-	-	-	38,288	0.8
Special events revenue	102,523	-	-	102,523	-	-	-	-	102,523	2.1
Miscellaneous	3,536	-	-	3,536	286	-	-	286	3,822	-
	679,316	163,592	(125,145)	717,763	4,186,298	-	-	4,186,298	4,904,061	100
Net assets released from restrictions	3,623,483	-	-	3,623,483	(3,623,483)	-	-	(3,623,483)	-	-
Total revenues, gains, and support	4,302,799	163,592	(125,145)	4,341,246	562,815	-	-	562,815	4,904,061	100 %
Expenses										
Program services										
Clean energy	1,531,330	-	(29,591)	1,501,739	-	-	-	-	1,501,739	36.4 %
Healthy rivers	1,430,019	-	(35,769)	1,394,250	-	-	-	-	1,394,250	33.8
Western lands	289,942	-	(5,790)	284,152	-	-	-	-	284,152	6.9
Utah environment	351,625	-	-	351,625	-	-	-	-	351,625	8.5
Total program services	3,602,916	-	(71,150)	3,531,766	-	-	-	-	3,531,766	85.6
Supporting services										
Fundraising	465,472	-	(24,381)	441,091	-	-	-	-	441,091	10.7
General administrative	16,378	165,765	(29,614)	152,529	-	-	-	-	152,529	3.7
Total supporting services	481,850	165,765	(53,995)	593,620	-	-	-	-	593,620	14.4
Total expenses	4,084,766	165,765	(125,145)	4,125,386	-	-	-	-	4,125,386	100 %
Change in net assets	218,033	(2,173)	-	215,860	562,815	-	-	562,815	778,675	
Net assets - beginning of year	2,292,237	678,626	-	2,970,863	2,720,247	-	-	2,720,247	5,691,110	
Net assets - end of year	\$ 2,510,270	\$ 676,453	\$ -	\$ 3,186,723	\$ 3,283,062	\$ -	\$ -	\$ 3,283,062	\$ 6,469,785	

See notes to combined financial statements.

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

**Combining Statement of Cash Flows
For the Year Ended December 31, 2016**

	<u>Western Resources Advocates</u>	<u>Environmental Center of the Rockies</u>	<u>Eliminations</u>	<u>Combined</u>
Cash flows from operating activities				
Change in net assets	\$ (631,105)	\$ (18,403)	\$ -	\$ (649,508)
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation expense	23,204	56,658	-	79,862
Realized and unrealized gain on investments	(57,192)	-	-	(57,192)
Changes in assets and liabilities				
Accounts receivable	252	-	-	252
Grants and pledges receivable	860,936	-	-	860,936
Prepaid expenses	(18,021)	(504)	(5,215)	(23,740)
Accounts payable	27,642	(525)	-	27,117
Accrued liabilities	24,327	(5,215)	5,215	24,327
	<u>861,148</u>	<u>50,414</u>	<u>-</u>	<u>911,562</u>
Net cash provided by operating activities	<u>230,043</u>	<u>32,011</u>	<u>-</u>	<u>262,054</u>
Cash flows from investing activities				
Purchases of investments	(21,129)	-	-	(21,129)
Purchases of property and equipment	(29,989)	-	-	(29,989)
Net cash used in investing activities	<u>(51,118)</u>	<u>-</u>	<u>-</u>	<u>(51,118)</u>
Cash flows from financing activities				
Payments on note payable	-	(41,304)	-	(41,304)
Net cash used in financing activities	<u>-</u>	<u>(41,304)</u>	<u>-</u>	<u>(41,304)</u>
Net increase (decrease) in cash and cash equivalents	178,925	(9,293)	-	169,632
Cash and cash equivalents - beginning of year	<u>4,002,549</u>	<u>277,487</u>	<u>-</u>	<u>4,280,036</u>
Cash and cash equivalents - end of year	<u>\$ 4,181,474</u>	<u>\$ 268,194</u>	<u>\$ -</u>	<u>\$ 4,449,668</u>

Supplemental disclosure of cash flow information:

Cash paid for interest during the year ended December 31, 2016 was \$18,087.

See notes to combined financial statements.

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

**Combining Statement of Cash Flows
For the Year Ended December 31, 2015**

	<u>Western Resources Advocates</u>	<u>Environmental Center of the Rockies</u>	<u>Eliminations</u>	<u>Combined</u>
Cash flows from operating activities				
Change in net assets	\$ 780,848	\$ (2,173)	\$ -	\$ 778,675
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation expense	18,904	56,658	-	75,562
Realized and unrealized loss on investments	35,553	-	-	35,553
Changes in assets and liabilities				
Accounts receivable	4,035	-	-	4,035
Grants receivable	(316,002)	-	-	(316,002)
Prepaid expenses	399	(447)	-	(48)
Accounts payable	(80,170)	(1,808)	-	(81,978)
Accrued liabilities	(22,189)	703	-	(21,486)
Pass-through grants	(28,200)	-	-	(28,200)
	<u>(387,670)</u>	<u>55,106</u>	<u>-</u>	<u>(332,564)</u>
Net cash provided by operating activities	<u>393,178</u>	<u>52,933</u>	<u>-</u>	<u>446,111</u>
Cash flows from investing activities				
Purchases of investments	(18,895)	-	-	(18,895)
Purchases of property and equipment	(33,401)	-	-	(33,401)
Net cash used in investing activities	<u>(52,296)</u>	<u>-</u>	<u>-</u>	<u>(52,296)</u>
Cash flows from financing activities				
Payments on note payable	-	(39,207)	-	(39,207)
Net cash used in financing activities	<u>-</u>	<u>(39,207)</u>	<u>-</u>	<u>(39,207)</u>
Net increase in cash and cash equivalents	340,882	13,726	-	354,608
Cash and cash equivalents - beginning of year	<u>3,661,667</u>	<u>263,761</u>	<u>-</u>	<u>3,925,428</u>
Cash and cash equivalents - end of year	<u>\$ 4,002,549</u>	<u>\$ 277,487</u>	<u>\$ -</u>	<u>\$ 4,280,036</u>

Supplemental disclosure of cash flow information:

Cash paid for interest during the year ended December 31, 2015 was \$18,940.

See notes to combined financial statements.

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

Notes to Combining Financial Statements

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

Organization

Western Resource Advocates ("WRA") has spent over 25 years protecting the land, air, and water that Western communities rely on for a healthy, vibrant quality of life. WRA uses law, science, and economics to craft and implement innovative solutions to the most pressing conservation issues in the region. WRA works to support clean power for our communities; preservation of the rivers, lakes, and streams that are the lifeblood of our region; and conservation of the West's iconic landscapes. WRA has led the conservation community in developing innovative and pragmatic policies that resulted in (among other achievements) closure of coal-fired power plants, leveraging billions of dollars into investment in renewable energy and energy efficiency, protection of flows in nine major river systems in the West, and conservation of over two million acres of land in Colorado, Utah, and Wyoming from energy development.

Environmental Center of the Rockies ("ECR") is a charitable tax-exempt organization that uses the building it owns to showcase energy and water efficiency, leases space to WRA and other tenants, and provides grants to other tax-exempt environmental organizations.

Principles of Combination

The financial statements of WRA have been combined with ECR (collectively, the "Organization") as related organizations. All intercompany transactions have been eliminated.

Basis of Presentation

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 of Directors ("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, 2016 and 2015, the Organization had no permanently restricted net assets.

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.

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

Notes to Combining Financial Statements

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

Accounts Receivable

The Organization uses the allowance method of accounts receivable valuation. At December 31, 2016 and 2015, the Organization deemed all accounts receivable to be collectible based on management's analysis and prior years' experience; therefore, no allowance has been established.

Grants/Promises to Give

Unconditional grants are recognized as both unrestricted and temporarily restricted revenue in the period pledged and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. All of the Organization's grants were unconditional as of December 31, 2016 and 2015. Grants 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, 2016 and 2015, management expected all grants to be fully collectible; accordingly, there was no allowance for uncollectible grants. As of December 31, 2016 and 2015, \$30,000 and \$81,200, respectively, of the Organization's pledges were from members of the Board.

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

All investments in equity securities and all debt securities have readily determinable fair values and are reported at their fair value using quoted market values. Unrealized gains and losses are included on the accompanying combining statements of activities.

Contributions and Grants

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. The majority of the Organization's contributions during the years ended December 31, 2016 and 2015 were temporarily restricted to be used for the Organization's programs (described further in Note 5). Certain grants received by the Organization are based on a two-year funding cycle that can create fluctuations in the timing of revenues and expenses recognized on the combining statements of activities and operating cash flows on the combining statements of cash flows.

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

Notes to Combining Financial Statements

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

Contributed Services

Donated services are recognized as contributions 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.

In-kind contributions consist of items and services donated for use by the Organization and consist primarily of services or products related to specific programs. In-kind contributions are reported at fair value at the time of donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the combining statements of activities. Accordingly, certain costs have been allocated among the program and supporting service benefited and are based on various factors, including employee effort and square footage.

Tax-Exempt Status

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

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2016 and 2015.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general administrative expenses. No interest or penalties have been assessed as of December 31, 2016 and 2015.

Use of Estimates

The preparation of combining 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 and disclosure of contingent assets and liabilities at the date of the combining 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
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Notes to Combining 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 long-lived assets have been impaired. No impairment was recognized as of December 31, 2016 and 2015.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, investments, 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. As of December 31, 2016, WRA's cash accounts exceeded federally insured limits by approximately \$3,590,000. Of this amount, approximately \$2,460,000 is invested in a Vanguard short-term federal bond fund, which invests nearly the entire fund in U.S. Treasury bonds that are fully guaranteed by the U.S. government. The remaining \$1,130,000 is held in a bank account to cover approximately three to six months of recurring operating expenses. ECR's cash accounts exceeded federally insured limits by approximately \$20,000.

As of December 31, 2016, three foundations accounted for 46% of revenue, and two foundations accounted for 89% of grants and pledges receivable and promises to give. As of December 31, 2015, three foundations accounted for 59% of revenue, and two foundations accounted for 96% of grants and pledges receivable.

Reclassifications

Certain amounts in the 2015 combining financial statements have been reclassified to conform to the 2016 presentation.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which amended the FASB Accounting Standards Codification ("ASC") and created Topic 842, *Leases*. The new topic supersedes ASC Topic 840, *Leases*, and increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosures of key information about leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2019. ASU No. 2016-02 mandates a modified retrospective transition method.

**WESTERN RESOURCE ADVOCATES AND
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Notes to Combining Financial Statements

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

Recently Issued Accounting Pronouncements (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to not-for-profit entities. The amendment reduces the classes of net assets to *net assets with donor restrictions* and *net assets without donor restrictions*; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented.

The Organization is currently assessing the impact this guidance will have on its combining financial statements.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the combining financial statements were available to be issued. ECR adopted new bylaws in December 2016 that are effective January 1, 2017. These changes remove WRA as a controlling entity of ECR; therefore, subsequent financial statements of WRA and ECR will be presented on a non-combining basis. The Organization determined that there were no additional subsequent events requiring recognition or disclosure.

Note 2 - Investments

Investments are in composite open-ended mutual funds. As of December 31, 2016 and 2015, the value of the investments was \$786,230 and \$707,909, respectively. These investments represent the Board-designated endowment fund and the purpose-restricted reserve endowment fund (Note 8).

**WESTERN RESOURCE ADVOCATES AND
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Notes to Combining Financial Statements

Note 3 - Fair Value Measurement

The Organization values its financial assets and liabilities based on fair value. Fair value, as defined, is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All of the Organization's financial assets are Level 1 assets, which means that they are publicly traded securities reported at publicly quoted prices as of December 31, 2016 and 2015. There was no change in the valuation methodology for the years ended December 31, 2016 and 2015.

Note 4 - Property and Equipment

Property and equipment comprise the following:

	WRA		ECR	
	December 31,		December 31,	
	2016	2015	2016	2015
Buildings and improvements	\$ -	\$ -	\$ 1,699,412	\$ 1,704,278
Land and land improvements	-	-	251,641	251,641
Furniture and equipment	<u>172,222</u>	<u>142,233</u>	-	-
	172,222	142,233	1,951,053	1,955,919
Less accumulated depreciation	<u>(119,513)</u>	<u>(96,309)</u>	<u>(1,026,612)</u>	<u>(974,820)</u>
	<u>\$ 52,709</u>	<u>\$ 45,924</u>	<u>\$ 924,441</u>	<u>\$ 981,099</u>

Note 5 - Net Assets

WRA's temporarily restricted net assets represent the net proceeds of donations that have been restricted by donors to be used only for the following purposes:

	December 31,	
	2016	2015
Clean energy	\$ 1,075,564	\$ 1,410,704
Healthy rivers	747,443	1,341,161
Utah environment	147,119	305,677
Time restricted	40,000	80,000
Western lands	-	<u>145,520</u>
	<u>\$ 2,010,126</u>	<u>\$ 3,283,062</u>

ECR did not have any temporarily restricted net assets as of December 31, 2016 or 2015.

**WESTERN RESOURCE ADVOCATES AND
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Notes to Combining Financial Statements

Note 6 - Note Payable

	December 31,	
	2016	2015
ECR has a promissory note to a bank that accrues interest at a variable rate of 2.34% above the Treasury Security Rate index (3.51% at December 31, 2016) with monthly payments of principal and interest of \$4,845 through August 2026 and a final payment of all remaining principal and interest due in September 2026. The note is secured by real property located at 2260 Baseline Road.	\$ 519,398	\$ 560,702
Less current portion	(45,384)	(40,448)
Long-term portion of note payable	\$ 474,014	\$ 520,254

Future minimum payments under this note are as follows:

For the Year Ending December 31,

2017		\$ 45,384
2018		47,024
2019		48,725
2020		50,451
2021		52,313
Thereafter		275,501
		\$ 519,398

Note 7 - Commitments

Operating Leases

WRA leases facilities and office equipment under non-cancelable operating leases with third parties, which expire at various times through March 2018. Rent expense was \$53,108 and \$49,948 for the years ended December 31, 2016 and 2015, respectively. Future minimum lease payments under the agreements are as follows:

For the Year Ending December 31,

2017		\$ 45,594
2018		6,487
		\$ 52,081

**WESTERN RESOURCE ADVOCATES AND
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Notes to Combining Financial Statements

Note 8 - Investments in Endowments

WRA maintains Board-designated endowments and donor quasi-endowments. Quasi-endowments are those purpose-restricted gifts or monies that WRA intends to maintain in perpetuity or to be spent over a specified time period, usually several years; however, under specific circumstances defined by the donor, the principal may be invaded fully to meet the defined purpose. Board-designated endowments are unrestricted funds designated by the Board to function as endowments.

The Board has designated a portion of net assets for an endowment. On May 20, 2005, WRA established an Endowment Committee (the "Committee") to manage the unrestricted contributions received from the Rudd Mayer estate. The contribution is known as the Rudd Mayer Memorial Endowment (the "Fund"). The Committee may distribute 5% of the Fund annually, unless otherwise approved by a two-thirds vote of the Board. During 2016 and 2015, the Board voted not to distribute any funds. As of December 31, 2016 and 2015, the Board-designated net assets amounted to \$593,653 and \$527,178, respectively. The investment policy is to invest in a composite open-ended mutual fund.

On May 16, 2012, WRA established a second reserve endowment of \$128,000 that would also be managed by the Committee. The reserve endowment was set up with purpose-restricted funds received from a donor. This reserve endowment is known as the Healthy Rivers Endowment. The Committee established an initial distribution percentage at 0% and shall remain at this percentage until change by a vote of two-thirds of the Board. As of December 31, 2016 and 2015, the reserve endowment net assets amounted to \$192,577 and \$180,731, respectively. The investment policy indicates that it is the Board's discretion as to how to invest the funds and is currently invested in a composite open-ended mutual fund.

The following table represents changes in invested endowment net assets as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	<u>\$ 527,178</u>	<u>\$ 180,731</u>	<u>\$ -</u>	<u>\$ 707,909</u>
Investment return				
Investment income	18,293	2,836	-	21,129
Net appreciation	<u>48,182</u>	<u>9,010</u>	<u>-</u>	<u>57,192</u>
Total investment return	<u>66,475</u>	<u>11,846</u>	<u>-</u>	<u>78,321</u>
Endowment net assets - end of year	<u>\$ 593,653</u>	<u>\$ 192,577</u>	<u>\$ -</u>	<u>\$ 786,230</u>

**WESTERN RESOURCE ADVOCATES AND
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Notes to Combining Financial Statements

Note 8 - Investments in Endowments (continued)

The following table represents changes in invested endowment net assets as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 543,564	\$ 181,003	\$ -	\$ 724,567
Investment return				
Investment income	18,648	9,690	-	28,338
Net loss	<u>(35,034)</u>	<u>(9,962)</u>	<u>-</u>	<u>(44,996)</u>
Total investment return	<u>(16,386)</u>	<u>(272)</u>	<u>-</u>	<u>(16,658)</u>
Endowment net assets - end of year	<u>\$ 527,178</u>	<u>\$ 180,731</u>	<u>\$ -</u>	<u>\$ 707,909</u>

Investments in the composite open-ended mutual fund consist of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash	\$ 23,675	\$ 23,635
Equities	611,973	537,803
Bonds	<u>150,582</u>	<u>146,471</u>
Investments	<u>\$ 786,230</u>	<u>\$ 707,909</u>

Note 9 - Retirement Plan

WRA has a defined contribution Section 401(k) plan (the "Plan"). The Plan covers all employees of the Organization. The Organization matches 100% of the first 5% of employees' contributions up to 5% of the employees' income. Matching contributions were \$115,989 and \$116,001 for the years ended December 31, 2016 and 2015, respectively.