
Western Resource Advocates

Financial Report
December 31, 2020

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Independent Auditor's Report

To the Board of Directors
Western Resource Advocates

We have audited the accompanying financial statements of Western Resource Advocates (WRA), which comprise the statement of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 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 Western Resource Advocates as of December 31, 2020 and 2019 and the results of its changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

April 15, 2021

Statement of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash	\$ 4,611,949	\$ 2,034,954
Restricted cash	31,902	-
Grants and pledges receivable	4,041,379	4,247,207
Accounts receivable	37,004	6,162
Prepaid expenses	86,198	137,161
	<u>8,808,432</u>	<u>6,425,484</u>
Investments	3,811,185	3,670,918
Grants and Pledges Receivable - Net of current portion and discount to present value	492,466	2,256,282
Property and Equipment - Net	<u>46,827</u>	<u>70,006</u>
Total assets	<u>\$ 13,158,910</u>	<u>\$ 12,422,690</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 110,538	\$ 257,158
Accrued liabilities	277,342	121,410
Funds held on behalf of others	31,902	-
	<u>419,782</u>	<u>378,568</u>
Net Assets		
Without donor restrictions	5,831,918	2,639,367
With donor restrictions	<u>6,907,210</u>	<u>9,404,755</u>
Total net assets	<u>12,739,128</u>	<u>12,044,122</u>
Total liabilities and net assets	<u>\$ 13,158,910</u>	<u>\$ 12,422,690</u>

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Grants	\$ 1,920,791	\$ 4,376,898	\$ 6,297,689	\$ 48,345	\$ 7,718,380	\$ 7,766,725
Contributions	2,158,992	390,291	2,549,283	900,505	1,263,600	2,164,105
Professional fees	130,115	30,000	160,115	-	14,908	14,908
Net investment return	88,615	52,816	141,431	187,937	47,902	235,839
In-kind contributions	-	-	-	11,388	-	11,388
Special event revenue	-	-	-	106,112	-	106,112
Miscellaneous	10,553	-	10,553	43,696	-	43,696
Net assets released from restrictions	7,347,550	(7,347,550)	-	6,836,844	(6,836,844)	-
Total revenue, gains, and other support	11,656,616	(2,497,545)	9,159,071	8,134,827	2,207,946	10,342,773
Expenses						
Program services:						
Clean energy	4,872,608	-	4,872,608	4,679,194	-	4,679,194
Healthy rivers	1,477,538	-	1,477,538	1,545,773	-	1,545,773
Western lands	693,397	-	693,397	517,489	-	517,489
Air and water quality	100,495	-	100,495	83,442	-	83,442
Total program services	7,144,038	-	7,144,038	6,825,898	-	6,825,898
Support services:						
General and administrative	424,577	-	424,577	433,787	-	433,787
Fundraising	895,450	-	895,450	837,780	-	837,780
Total support services	1,320,027	-	1,320,027	1,271,567	-	1,271,567
Total expenses	8,464,065	-	8,464,065	8,097,465	-	8,097,465
Increase (Decrease) in Net Assets	3,192,551	(2,497,545)	695,006	37,362	2,207,946	2,245,308
Net Assets - Beginning of year	2,639,367	9,404,755	12,044,122	2,602,005	7,196,809	9,798,814
Net Assets - End of year	\$ 5,831,918	\$ 6,907,210	\$ 12,739,128	\$ 2,639,367	\$ 9,404,755	\$ 12,044,122

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services				Support Services			
	Clean Energy	Healthy Rivers	Western Lands	Air and Water Quality	Total	General and Administrative	Fundraising	Total
Personnel expenses	\$ 2,847,246	\$ 906,294	\$ 505,765	\$ 51,077	\$ 4,310,382	\$ 317,101	\$ 706,368	\$ 5,333,851
Communications	599,302	243,401	90,406	37,855	970,964	-	68,317	1,039,281
Consultants and professional fees	316,755	122,580	32,971	3,472	475,778	56,381	45,992	578,151
Grants, contributions, and sponsorships	437,943	33,150	250	-	471,343	656	-	471,999
Travel	28,615	4,922	2,999	31	36,567	2,226	4,568	43,361
Government affairs	377,540	98,690	24,250	3,733	504,213	-	-	504,213
Occupancy	130,102	42,142	20,920	1,599	194,763	21,621	24,294	240,678
Conferences and meetings	12,625	2,451	2,098	56	17,230	1,656	1,906	20,792
Supplies and technology	23,563	6,345	3,283	240	33,431	6,047	20,066	59,544
Events	-	-	-	-	-	-	2,325	2,325
Printing and publications	55,253	6,059	2,370	1,881	65,563	7,727	8,464	81,754
Telecommunications	18,447	4,457	3,221	348	26,473	1,979	3,619	32,071
Postage and delivery	467	88	180	3	738	730	3,172	4,640
Depreciation	20,957	5,887	4,052	139	31,035	6,860	2,888	40,783
Miscellaneous	3,793	1,072	632	61	5,558	1,593	3,471	10,622
Total functional expenses	\$ 4,872,608	\$ 1,477,538	\$ 693,397	\$ 100,495	\$ 7,144,038	\$ 424,577	\$ 895,450	\$ 8,464,065

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services				Support Services			
	Clean Energy	Healthy Rivers	Western Lands	Air and Water Quality	Total	General and Administrative	Fundraising	Total
Personnel expenses	\$ 2,396,211	\$ 949,186	\$ 364,613	\$ 43,286	\$ 3,753,296	\$ 318,690	\$ 606,553	\$ 4,678,539
Communications	596,777	195,668	68,505	28,544	889,494	-	51,379	940,873
Consultants and professional fees	412,406	206,615	13,793	5,090	637,904	53,950	21,673	713,527
Grants, contributions, and sponsorships	676,075	13,250	1,150	-	690,475	-	600	691,075
Travel	145,896	38,053	22,823	1,921	208,693	7,428	21,723	237,844
Government affairs	183,553	63,107	19,726	-	266,386	-	-	266,386
Occupancy	109,119	30,162	13,574	1,589	154,444	18,636	14,628	187,708
Conferences and meetings	37,572	18,788	5,648	741	62,749	13,409	13,385	89,543
Supplies and technology	48,759	5,466	2,255	322	56,802	5,531	19,125	81,458
Events	-	7,067	-	-	7,067	-	65,130	72,197
Printing and publications	30,730	5,514	1,551	1,639	39,434	452	12,565	52,451
Telecommunications	16,216	6,072	1,734	256	24,278	2,002	3,042	29,322
Postage and delivery	1,397	332	59	6	1,794	810	1,209	3,813
Depreciation	21,548	5,110	1,767	-	28,425	8,725	2,613	39,763
Miscellaneous	2,935	1,383	291	48	4,657	4,154	4,155	12,966
Total functional expenses	\$ 4,679,194	\$ 1,545,773	\$ 517,489	\$ 83,442	\$ 6,825,898	\$ 433,787	\$ 837,780	\$ 8,097,465

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Increase in net assets	\$ 695,006	\$ 2,245,308
Adjustments to reconcile increase in net assets to net cash and restricted cash from operating activities:		
Depreciation	40,783	39,763
Net realized and unrealized gain on investments	(96,144)	(144,277)
Changes in operating assets and liabilities that provided (used) cash and restricted cash:		
Grants and pledges receivable	1,999,644	(1,590,272)
Accounts receivable	(30,842)	(5,848)
Funds held on behalf of others	31,902	-
Prepaid expenses	50,963	(26,361)
Accounts payable	(146,620)	130,119
Accrued liabilities	155,932	50,974
Pass-through grants	-	(75,000)
Net cash and restricted cash provided by operating activities	2,700,624	624,406
Cash Flows from Investing Activities		
Purchase of property and equipment	(17,604)	(55,751)
Purchases of investments	(94,703)	(99,748)
Sales of investments	20,580	9,548
Net cash and restricted cash used in investing activities	(91,727)	(145,951)
Net Increase in Cash and Restricted Cash	2,608,897	478,455
Cash and Restricted Cash - Beginning of year	2,034,954	1,556,499
Cash and Restricted Cash - End of year	\$ 4,643,851	\$ 2,034,954
Statement of Financial Position Classification of Cash and Restricted Cash		
Cash	\$ 4,611,949	\$ 2,034,954
Restricted cash	31,902	-
Total cash	\$ 4,643,851	\$ 2,034,954

December 31, 2020 and 2019

Note 1 - Nature of Organization

For over 30 years, Western Resource Advocates (WRA) has been dedicated to protecting the West's land, air, and water to ensure that vibrant communities exist in balance with nature. WRA uses law, science, and economics to craft innovative solutions to the most pressing conservation issues in the region within three core program areas: clean energy, healthy rivers, and western lands.

In the face of climate change and population growth, WRA is a strong and effective advocacy voice in the Western United States to address the changes that are already underway and to steer the West toward a sustainable future. WRA envisions a future for the West that includes the following:

- Western rivers and lakes will have abundant clean water to support habitat for fish and wildlife, communities and agriculture, and world-class recreational opportunities. The Colorado River will flow to the sea.
- Our homes, buildings, and transportation systems will be powered by clean energy. The West will prosper in a zero-carbon economy.
- Half of western landscapes and habitat will be protected and connected to support thriving wildlife populations and unparalleled opportunities to enjoy the West's natural beauty.
- The West will have clean air and clean water to support healthy communities and vital habitat.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of WRA have been prepared on the basis of U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of the accompanying financial statements, WRA considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. WRA did not hold any cash equivalents at December 31, 2020 and 2019. As of the statement of financial position date and throughout the year, WRA has maintained bank balances in excess of federally insured limits.

Restricted Cash and Funds Held on Behalf of Others

Restricted cash at December 31, 2020 consists of funds held on behalf of an organization under a fiscal sponsorship agreement. There was no restricted cash held at December 31, 2019.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. Based on management's review of outstanding receivable balances and historical collection information, management's best estimate is that all balances will be collected. Accordingly, WRA has not established an allowance for doubtful accounts.

Investments

WRA reports investments in mutual funds with readily determinable fair values at their fair values, with unrealized gains and losses, dividends, and interest included on the statement of activities and changes in net assets.

The board of directors of WRA has restricted the use of a portion of the investments as a board-designated endowment of \$522,480 and \$534,602 at December 31, 2020 and 2019, respectively.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost or fair value if contributed. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives of three to five years. Costs of maintenance, repairs, and minor replacements are charged to operations, and costs for major replacements and betterments of \$1,000 or greater are capitalized.

Classification of Net Assets

Net assets of WRA are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of WRA. Net assets designated for use by the board of directors are included in net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of WRA or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated that the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions and Grants

Unconditional promises to give cash and other assets to WRA are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the year in which the contributions are received are reported as net assets with donor restrictions in the accompanying financial statements.

Grants and pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Concentrations

As of December 31, 2020, four foundations accounted for 66 percent of revenue, and four foundations accounted for 67 percent of grants and pledges receivable. As of December 31, 2019, five foundations accounted for 69 percent of revenue, and two foundations accounted for 42 percent of grants and pledges receivable.

In-kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by WRA.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

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

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various program and support services based on a variety of factors, including time, usage of space, and program restrictions. Personnel costs are allocated based on headcount and time and effort expended in each function. Occupancy costs are allocated based on building usage. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

WRA is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Upcoming Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for WRA's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on WRA's financial statements as a result of WRA's operating leases, as disclosed in Note 11, that will be reported on the statement of financial position at adoption. Upon adoption, WRA will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the statement of activities and changes in net assets are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 15, 2021, which is the date the financial statements were available to be issued.

Notes to Financial Statements

December 31, 2020 and 2019

Note 3 - Liquidity and Availability of Resources

The following reflects WRA's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2020	2019
Cash	\$ 4,611,949	\$ 2,034,954
Grants and pledges receivable	4,533,845	6,503,489
Accounts receivable	37,004	6,162
Investments	3,811,185	3,670,918
	<u>12,993,983</u>	<u>12,215,523</u>
Financial assets - At year end		
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions (Note 9)	6,907,210	9,404,755
Board-designated endowment (Note 10)	522,480	534,602
	<u>7,429,690</u>	<u>9,939,357</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,564,293</u>	<u>\$ 2,276,166</u>

WRA is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, WRA must maintain sufficient resources to meet those responsibilities to its donors.

WRA has a goal to maintain financial assets, which consist of cash, grants and pledges receivable, accounts receivable, and investments, to meet 90 days of normal operating expenses, which are, on average, approximately \$2,100,000 and \$2,000,000 at December 31, 2020 and 2019, respectively. WRA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, WRA invests cash in excess of daily requirements in certain liquid investments in line with the investment policy defined by the board of directors.

WRA's endowment funds consist of a board-designated endowment fund of \$522,480 and \$534,602 at December 31, 2020 and 2019, respectively, and a donor-restricted quasi endowment of \$316,437 and \$263,621 at December 31, 2020 and 2019, respectively. WRA intends to hold the principal of the donor-restricted quasi endowment, as described in Note 10. Income from the donor-restricted quasi endowment is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 10, the board-designated endowment has a spending rate of 5 percent at December 31, 2020 and 2019. A total of \$26,000 of appropriations from the board-designated endowment will be available within the next 12 months. Although WRA does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

December 31, 2020 and 2019

Note 4 - Grants and Pledges Receivable

Grants and pledges receivable consist of several unconditional promises to give and long-term grants, which are due over time periods ranging from one to five years. They are included as follows:

	2020	2019
Gross grants and pledges receivable	\$ 4,563,859	\$ 6,626,393
Less allowance for net present value discount	<u>(30,014)</u>	<u>(122,904)</u>
Net grants and pledges receivable	<u>\$ 4,533,845</u>	<u>\$ 6,503,489</u>
Amounts due in:		
Less than one year	\$ 4,041,379	\$ 4,247,207
One to five years	<u>522,480</u>	<u>2,379,186</u>
Total	<u>\$ 4,563,859</u>	<u>\$ 6,626,393</u>

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that WRA has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. WRA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about WRA's assets measured at fair value on a recurring basis at December 31, 2020 and 2019 and the valuation techniques used by WRA to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
Mutual funds	\$ 3,771,520	\$ -	\$ -	<u>\$ 3,771,520</u>

December 31, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)Assets Measured at Fair Value on a Recurring Basis at
December 31, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Mutual funds	\$ 3,668,596	\$ -	\$ -	\$ 3,668,596

Cash held within the investment portfolio and included within investments on the accompanying statement of financial position totaled \$39,665 and \$2,322 as of December 31, 2020 and 2019, respectively.

Note 6 - Investment Return

Net investment return consists of the following for the years ended December 31:

	2020	2019
Interest and dividends	\$ 65,868	\$ 101,110
Net realized and unrealized gains	96,144	144,277
Fees	(20,581)	(9,548)
Total	\$ 141,431	\$ 235,839

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019
Furniture and fixtures	\$ 219,948	\$ 212,628
Less accumulated depreciation	173,121	142,622
Net property and equipment	\$ 46,827	\$ 70,006

Depreciation expense for the years ended December 31, 2020 and 2019 was \$40,783 and \$39,763, respectively.

Note 8 - Paycheck Protection Program Loan

During the year ended December 31, 2020, WRA received a Paycheck Protection Program (PPP) loan in the amount of \$971,677. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. WRA used the funds on qualifying expenses over a covered period up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period.

December 31, 2020 and 2019

Note 8 - Paycheck Protection Program Loan (Continued)

According to U.S. GAAP, government grants, including certain forgivable government loans, are recognized as income in the period in which WRA has substantially overcome all measurable performance-related barriers necessary to be entitled to keep the grant funds. As of December 31, 2020, WRA has assessed that all requirements for forgiveness were achieved and, therefore, has recorded grant revenue of \$971,677 consistent with generally accepted accounting principles.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. WRA applied for and received notification from the SBA of forgiveness of the entire loan subsequent to December 31, 2020.

Note 9 - Net Assets

Net assets without donor restrictions consist of the following as of December 31:

	2020	2019
Undesignated net assets	\$ 5,309,438	\$ 2,104,765
Board-designated net assets - Reserve endowment	522,480	534,602
Total net assets without donor restrictions	<u>\$ 5,831,918</u>	<u>\$ 2,639,367</u>

Net assets with donor restrictions as of December 31 are available for the following purposes:

	2020	2019
Net assets with purpose restrictions:		
Clean energy	\$ 5,255,969	\$ 6,589,278
Healthy rivers	1,366,804	2,056,158
Western lands	221,937	627,411
Government affairs	57,500	30,000
Total purpose-restricted net assets	6,902,210	9,302,847
Net assets with time restrictions	5,000	101,908
Total	<u>\$ 6,907,210</u>	<u>\$ 9,404,755</u>

Net assets with purpose restrictions as of December 31, 2020 and 2019 included \$4,533,845 and \$6,401,580, respectively, of net assets with implied time restrictions and are included within grants and pledges receivable on the accompanying statement of financial position.

During 2020 and 2019, net assets in the amount of \$7,250,641 and \$6,745,585, respectively, were released for the satisfaction of program related restrictions by expending required funds for the donor-specified purposes. During 2020 and 2019, net assets in the amount of \$96,909 and \$91,259, respectively, were released due to the satisfaction of implied time restrictions related to collection of grants and pledges receivable.

Note 10 - Donor-restricted and Board-designated Endowments

WRA's endowment includes both donor-restricted quasi-endowment funds and funds designated by the board of directors to function as endowments. Quasi endowments are those purpose-restricted gifts or monies that WRA intends to maintain in perpetuity or to be spent over a specified period of time, usually several years; however, under specific circumstances defined by the donor, the principal may be invaded fully to meet the defined purpose. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

December 31, 2020 and 2019

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Board-designated Endowment

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 net assets without donor restrictions received from the Rudd Mayer estate. The contribution is known as the Rudd Mayer Memorial Endowment (the "Fund"). The Committee may distribute 5 percent of the Fund annually unless otherwise approved by a two-thirds vote of the board.

Donor-restricted Quasi Endowment

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 percent and shall remain at this percentage until change by a vote of two-thirds of the board.

Interpretation of Relevant Law

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. Accordingly, WRA follows FASB staff position, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

WRA's donor-restricted quasi endowment is subject to UPMIFA and, thus, classifies amounts in its donor-restricted quasi-endowment funds as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditures. Most of those net assets also are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of WRA had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, WRA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. WRA has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, WRA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of WRA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of WRA
- The investment policies of WRA

Notes to Financial Statements

December 31, 2020 and 2019

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Invested Endowment Asset Composition by Type of Fund and Changes in Invested Endowment Assets

WRA endowment net assets are composed of the following funds as of December 31, 2020:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 522,480	\$ -	\$ 522,480
Donor-restricted quasi-endowment funds	-	316,437	316,437
Total	\$ 522,480	\$ 316,437	\$ 838,917

Changes in endowment net assets for the year ended December 31, 2020 are composed of the following:

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 534,602	\$ 263,621	\$ 798,223
Net investment return	(12,122)	52,816	40,694
Endowment net assets - End of year	\$ 522,480	\$ 316,437	\$ 838,917

WRA endowment net assets are composed of the following funds as of December 31, 2019:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 534,602	\$ -	\$ 534,602
Donor-restricted quasi-endowment funds	-	263,621	263,621
Total	\$ 534,602	\$ 263,621	\$ 798,223

Changes in endowment net assets for the year ended December 31, 2019 are composed of the following:

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 457,905	\$ 215,719	\$ 673,624
Net investment return	80,221	47,902	128,123
Appropriation of endowment assets for expenditure	(3,524)	-	(3,524)
Endowment net assets - End of year	\$ 534,602	\$ 263,621	\$ 798,223

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires WRA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions. There were no such deficiencies at December 31, 2020 and 2019.

December 31, 2020 and 2019

Note 10 - Donor-restricted and Board-designated Endowments (Continued)***Investment Strategy and Return Objectives***

WRA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce a long-term rate of return that is, net of spending, greater than the rate of inflation.

Note 11 - Operating Leases

WRA is obligated under noncancelable operating leases primarily for facilities and office equipment through third parties and office equipment, expiring at various dates through August 2022. The total expense under these leases was \$183,571 and \$150,926 for the years ended December 31, 2020 and 2019, respectively.

WRA is additionally obligated under an operating lease for facilities through a related party (see Note 13). The related party lease is an annual lease and had rent expense of \$94,641 and \$75,712 for the years ended December 31, 2020 and 2019, respectively.

Future minimum annual commitments under these lease agreements are as follows:

Years Ending December 31	Amount
2021	\$ 227,927
2022	46,980
Total	<u>\$ 274,907</u>

Note 12 - Retirement Plan

WRA sponsors a 401(k) plan for substantially all employees. The plan provides for WRA to match 100 percent of the first 5 percent of employees' contributions up to 5 percent of the employees' wages. Contributions to the plan totaled \$233,644 and \$198,895 for the years ended December 31, 2020 and 2019, respectively.

Note 13 - Related Party Transactions

Environmental Center of the Rockies (ECR) is a supporting organization of WRA. Though ECR shares some common board members, these board members represent a minority of the ECR board, and WRA does not have an economic interest in ECR; therefore, ECR is not consolidated with WRA. WRA has a facility lease with ECR, as described in Note 11.

Note 14 - Economic Uncertainty

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

December 31, 2020 and 2019

Note 14 - Economic Uncertainty (Continued)

WRA was not as impacted by COVID-19 as had originally been feared. This is in part due to obtaining a loan through the Paycheck Protection Program as part of relief provided in the CARES Act, as discussed in Note 8; WRA putting a hold on some hiring and implementing other cost-saving measures; and many of its historic funders continuing their commitment to WRA in 2020. Thanks to those measures, the operations of WRA continued substantially as they did prior to the pandemic, and financial position, liquidity, and results of operations were relatively consistent with a normal year of operations. While WRA's results of operations, cash flows, and financial condition were not significantly impacted in the current year, the extent of any future impact cannot be reasonably estimated at this time.

Note 15 - Subsequent Events

In March 2021, WRA was approved for a second \$971,677 loan from a bank in conjunction with the Small Business Administration's Paycheck Protection Program. If not forgiven, the loan is payable in quarterly installments over a five-year period and carries an interest rate of 1 percent per annum. The loan is forgivable to the extent WRA uses the proceeds on eligible costs over a 24-week period commencing upon approval of the loan and if WRA meets certain criteria related to maintaining full-time employees and salary levels. Forgiveness of the loan is subject to review and approval of the SBA and cannot be guaranteed until such approval is granted.