
Western Resource Advocates

**Financial Report
December 31, 2021**

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Independent Auditor's Report

To the Board of Directors
Western Resource Advocates

Opinion

We have audited the financial statements of Western Resource Advocates (WRA), which comprise the statement of financial position as of December 31, 2021 and 2020 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WRA as of December 31, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of WRA and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WRA's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Western Resource Advocates

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 WRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

October 17, 2022

Statement of Financial Position

December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 7,407,673 | \$ 4,611,949 |
| Restricted cash | 37,608 | 31,902 |
| Grants and pledges receivable | 2,149,220 | 4,041,379 |
| Accounts receivable | 30,085 | 37,004 |
| Prepaid expenses | 149,404 | 86,198 |
| Total current assets | 9,773,990 | 8,808,432 |
| Investments | 3,834,427 | 3,811,185 |
| Grants and Pledges Receivable - Net of current portion and discount to present value | 1,316,944 | 492,466 |
| Property and Equipment - Net | 72,650 | 46,827 |
| Total assets | \$ 14,998,011 | \$ 13,158,910 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 85,820 | \$ 110,538 |
| Accrued liabilities | 293,376 | 277,342 |
| Funds held on behalf of others | 37,608 | 31,902 |
| Total liabilities | 416,804 | 419,782 |
| Net Assets | | |
| Without donor restrictions | 7,909,594 | 5,831,918 |
| With donor restrictions | 6,671,613 | 6,907,210 |
| Total net assets | 14,581,207 | 12,739,128 |
| Total liabilities and net assets | \$ 14,998,011 | \$ 13,158,910 |

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2021 and 2020

| | 2021 | | | 2020 | | |
|--|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue, Gains, and Other Support | | | | | | |
| Grants | \$ 960,442 | \$ 4,490,499 | \$ 5,450,941 | \$ 1,920,791 | \$ 4,376,898 | \$ 6,297,689 |
| Contributions | 1,665,033 | 3,496,973 | 5,162,006 | 2,158,992 | 390,291 | 2,549,283 |
| Professional fees | 84,463 | 102,460 | 186,923 | 130,115 | 30,000 | 160,115 |
| Net investment return | 27,248 | (3,076) | 24,172 | 88,615 | 52,816 | 141,431 |
| Miscellaneous | 22,227 | - | 22,227 | 10,553 | - | 10,553 |
| Net assets released from restrictions | 8,322,453 | (8,322,453) | - | 7,347,550 | (7,347,550) | - |
| Total revenue, gains, and other support | 11,081,866 | (235,597) | 10,846,269 | 11,656,616 | (2,497,545) | 9,159,071 |
| Expenses | | | | | | |
| Program services: | | | | | | |
| Clean energy | 4,741,752 | - | 4,741,752 | 4,872,608 | - | 4,872,608 |
| Healthy rivers | 1,886,540 | - | 1,886,540 | 1,477,538 | - | 1,477,538 |
| Western lands | 814,176 | - | 814,176 | 693,397 | - | 693,397 |
| Air and water quality | 118,370 | - | 118,370 | 100,495 | - | 100,495 |
| Total program services | 7,560,838 | - | 7,560,838 | 7,144,038 | - | 7,144,038 |
| Support services: | | | | | | |
| General and administrative | 455,668 | - | 455,668 | 424,577 | - | 424,577 |
| Fundraising | 987,684 | - | 987,684 | 895,450 | - | 895,450 |
| Total support services | 1,443,352 | - | 1,443,352 | 1,320,027 | - | 1,320,027 |
| Total expenses | 9,004,190 | - | 9,004,190 | 8,464,065 | - | 8,464,065 |
| Change in Net Assets | 2,077,676 | (235,597) | 1,842,079 | 3,192,551 | (2,497,545) | 695,006 |
| Net Assets - Beginning of year | 5,831,918 | 6,907,210 | 12,739,128 | 2,639,367 | 9,404,755 | 12,044,122 |
| Net Assets - End of year | \$ 7,909,594 | \$ 6,671,613 | \$ 14,581,207 | \$ 5,831,918 | \$ 6,907,210 | \$ 12,739,128 |

Statement of Functional Expenses

Year Ended December 31, 2021

| | Program Services | | | | | Support Services | | |
|---|---------------------|---------------------|-------------------|-----------------------|---------------------|----------------------------|-------------------|---------------------|
| | Clean Energy | Healthy Rivers | Western Lands | Air and Water Quality | Total | General and Administrative | Fundraising | Total |
| Personnel expenses | \$ 2,882,226 | \$ 935,328 | \$ 611,608 | \$ 61,919 | \$ 4,491,081 | \$ 313,730 | \$ 720,518 | \$ 5,525,329 |
| Communications | 486,033 | 270,924 | 101,597 | 42,332 | 900,886 | - | 76,197 | 977,083 |
| Consultants and professional fees | 360,506 | 431,286 | 7,250 | 5,090 | 804,132 | 74,719 | 80,630 | 959,481 |
| Grants, contributions, and sponsorships | 50,515 | 52,700 | 500 | - | 103,715 | 500 | - | 104,215 |
| Travel | 10,071 | 12,255 | 12,666 | - | 34,992 | 304 | 3,721 | 39,017 |
| Government affairs | 644,605 | 104,414 | 39,685 | 4,858 | 793,562 | - | - | 793,562 |
| Occupancy | 136,490 | 39,584 | 18,049 | 2,177 | 196,300 | 36,818 | 31,039 | 264,157 |
| Conferences and meetings | 19,759 | 8,579 | 4,716 | 76 | 33,130 | 3,947 | 7,943 | 45,020 |
| Supplies and technology | 24,510 | 7,336 | 3,772 | 263 | 35,881 | 8,898 | 13,343 | 58,122 |
| Events | - | - | - | - | - | - | 13,166 | 13,166 |
| Printing and publications | 62,349 | 4,622 | 1,740 | 1,014 | 69,725 | 119 | 17,504 | 87,348 |
| Telecommunications | 25,336 | 9,066 | 5,289 | 290 | 39,981 | 7,084 | 7,563 | 54,628 |
| Postage and delivery | 1,149 | 774 | 126 | - | 2,049 | 599 | 3,132 | 5,780 |
| Depreciation | 21,732 | 3,861 | 3,955 | - | 29,548 | 5,684 | 3,331 | 38,563 |
| Miscellaneous | 4,190 | 1,280 | 608 | 45 | 6,123 | 990 | 5,572 | 12,685 |
| Equity and culture | 12,281 | 4,531 | 2,615 | 306 | 19,733 | 2,276 | 4,025 | 26,034 |
| Total functional expenses | \$ 4,741,752 | \$ 1,886,540 | \$ 814,176 | \$ 118,370 | \$ 7,560,838 | \$ 455,668 | \$ 987,684 | \$ 9,004,190 |

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 Cash Flows

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 1,842,079 | \$ 695,006 |
| Adjustments to reconcile change in net assets to net cash and restricted cash from operating activities: | | |
| Depreciation | 38,563 | 40,783 |
| Net realized and unrealized gain on investments | 23,987 | (96,144) |
| Changes in operating assets and liabilities that provided (used) cash and restricted cash: | | |
| Grants and pledges receivable | 1,067,681 | 1,999,644 |
| Accounts receivable | 6,919 | (30,842) |
| Prepaid expenses | (8,946) | 50,963 |
| Accounts payable | (24,718) | (146,620) |
| Accrued liabilities | (38,226) | 155,932 |
| Funds held on behalf of others | 5,706 | 31,902 |
| Net cash and restricted cash provided by operating activities | 2,913,045 | 2,700,624 |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (64,386) | (17,604) |
| Purchases of investments | (67,810) | (94,703) |
| Sales of investments | 20,581 | 20,580 |
| Net cash and restricted cash used in investing activities | (111,615) | (91,727) |
| Net Increase in Cash and Restricted Cash | 2,801,430 | 2,608,897 |
| Cash and Restricted Cash - Beginning of year | 4,643,851 | 2,034,954 |
| Cash and Restricted Cash - End of year | \$ 7,445,281 | \$ 4,643,851 |
| Statement of Financial Position Classification of Cash and Restricted Cash | | |
| Cash | \$ 7,407,673 | \$ 4,611,949 |
| Restricted cash | 37,608 | 31,902 |
| Total cash and restricted cash | \$ 7,445,281 | \$ 4,643,851 |

December 31, 2021 and 2020

Note 1 - Nature of Organization

Western Resource Advocates (WRA) fights climate change and its impacts to sustain the environment, economy, and people of the West. The organization respects the different needs of diverse people and partners with them to develop a shared vision for progress - one that advances communities while protecting biodiversity.

WRA's team of policy experts, scientists, economists, and attorneys has a 33-year history of working where decisions are made, sweating the details, creating evidence-based solutions, and holding decision makers accountable. This on-the-ground work with policy makers and other advocates advances clean energy; protects air, land, water, and wildlife; and sustains the lives and livelihoods of the West.

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, 2021 and 2020. 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, 2021 consists of funds held on behalf of an organization under a fiscal sponsorship agreement. There was \$37,608 and \$31,902 of restricted cash held at December 31, 2021 and 2020, respectively.

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 \$602,686 and \$522,480 at December 31, 2021 and 2020, respectively.

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.

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

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, 2021, two foundations accounted for 30 percent of revenue, and two foundations accounted for 57 percent of grants and pledges receivable. 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.

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.

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.

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

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 Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for WRA's year ending December 31, 2022 and will be applied using retrospective method.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 17, 2022, which is the date the financial statements were available to be issued.

Notes to Financial Statements

December 31, 2021 and 2020

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:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash | \$ 7,407,673 | \$ 4,611,949 |
| Grants and pledges receivable | 3,466,164 | 4,533,845 |
| Accounts receivable | 30,085 | 37,004 |
| Investments | 3,834,427 | 3,811,185 |
| | <u>14,738,349</u> | <u>12,993,983</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) | 6,671,613 | 6,907,210 |
| Board-designated endowment (Note 10) | 602,686 | 522,480 |
| | <u>6,671,613</u> | <u>6,907,210</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 7,464,050</u> | <u>\$ 5,564,293</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, 2021 and 2020, 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 \$602,686 and \$522,480 at December 31, 2021 and 2020, respectively, and a donor-restricted quasi endowment of \$313,361 and \$316,437 at December 31, 2021 and 2020, 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, 2021 and 2020. A total of approximately \$30,000 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, 2021 and 2020

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:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Gross grants and pledges receivable | \$ 3,476,514 | \$ 4,563,859 |
| Less allowance for net present value discount | <u>(10,350)</u> | <u>(30,014)</u> |
| Net grants and pledges receivable | <u>\$ 3,466,164</u> | <u>\$ 4,533,845</u> |
| Amounts due in: | | |
| Less than one year | \$ 2,149,220 | \$ 4,041,379 |
| One to five years | <u>1,327,294</u> | <u>522,480</u> |
| Total | <u>\$ 3,476,514</u> | <u>\$ 4,563,859</u> |

The discount rates used to calculate the net present value range from 0.11 to 2.59 percent for the years ended December 31, 2021 and 2020 and are based on the risk-free rate at the time of the initial gift.

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.

Notes to Financial Statements

December 31, 2021 and 2020

Note 5 - Fair Value Measurements (Continued)

The following tables present information about WRA's assets measured at fair value on a recurring basis at December 31, 2021 and 2020 and the valuation techniques used by WRA to determine those fair values:

| Assets Measured at Fair Value on a Recurring Basis at December 31, 2021 | | | | |
|--|--|--|--|------------------------------------|
| | 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, 2021 |
| Mutual funds: | | | | |
| Bond mutual funds | \$ 1,783,888 | \$ - | \$ - | \$ 1,783,888 |
| Real estate funds | 11,473 | - | - | 11,473 |
| Total mutual funds | 1,795,361 | - | - | 1,795,361 |
| Domestic equities | 454,960 | - | - | 454,960 |
| Fixed income: | | | | |
| Corporate bonds | - | 185,819 | - | 185,819 |
| Municipal bonds | - | 1,292,666 | - | 1,292,666 |
| Total fixed income | - | 1,478,485 | - | 1,478,485 |
| Total assets | \$ 2,250,321 | \$ 1,478,485 | \$ - | \$ 3,728,806 |
| 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: | | | | |
| Bond funds | \$ 3,321,751 | \$ - | \$ - | \$ 3,321,751 |
| Money market fund | 60,000 | - | - | 60,000 |
| Real estate funds | 8,772 | - | - | 8,772 |
| Total mutual funds | 3,390,523 | - | - | 3,390,523 |
| Domestic equities | 380,997 | - | - | 380,997 |
| Total assets | \$ 3,771,520 | \$ - | \$ - | \$ 3,771,520 |

Cash held within the investment portfolio and included within investments on the accompanying statement of financial position totaled \$105,621 and \$39,665 as of December 31, 2021 and 2020, respectively.

December 31, 2021 and 2020

Note 6 - Investment Return

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

| | 2021 | 2020 |
|-----------------------------------|------------------|-------------------|
| Interest and dividends | \$ 65,039 | \$ 65,868 |
| Net realized and unrealized gains | (23,987) | 96,144 |
| Fees | (16,880) | (20,581) |
| Total | <u>\$ 24,172</u> | <u>\$ 141,431</u> |

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

| | 2021 | 2020 |
|-------------------------------|------------------|------------------|
| Furniture and fixtures | \$ 282,339 | \$ 219,948 |
| Less accumulated depreciation | 209,689 | 173,121 |
| Net property and equipment | <u>\$ 72,650</u> | <u>\$ 46,827</u> |

Depreciation expense for the years ended December 31, 2021 and 2020 was \$38,563 and \$40,783, respectively.

Note 8 - Paycheck Protection Program Loan

During the years ended December 31, 2021 and 2020, WRA received two Paycheck Protection Program (PPP) loans each 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.

According to U.S. GAAP, government grants, including certain forgivable government loans, are recognized as income in the period in which an entity has substantially overcome all measurable performance-related barriers necessary to be entitled to keep the grant funds. As of December 31, 2021 and 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 received notification from the SBA of forgiveness of both of the entire loans during the year ended December 31, 2021.

Note 9 - Net Assets

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

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Undesignated net assets | \$ 7,306,908 | \$ 5,309,438 |
| Board-designated net assets - Reserve endowment | 602,686 | 522,480 |
| Total net assets without donor restrictions | <u>\$ 7,909,594</u> | <u>\$ 5,831,918</u> |

December 31, 2021 and 2020

Note 9 - Net Assets (Continued)

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

| | 2021 | 2020 |
|---------------------------------------|---------------------|---------------------|
| Net assets with purpose restrictions: | | |
| Clean energy | \$ 3,719,505 | \$ 5,255,969 |
| Healthy rivers | 1,928,250 | 1,366,804 |
| Western lands | 823,858 | 221,937 |
| Government affairs | - | 57,500 |
| Total purpose-restricted net assets | 6,471,613 | 6,902,210 |
| Net assets with time restrictions | 200,000 | 5,000 |
| Total | <u>\$ 6,671,613</u> | <u>\$ 6,907,210</u> |

Net assets with purpose restrictions as of December 31, 2021 and 2020 included \$3,466,164 and \$4,533,845, respectively, of net assets with implied time restrictions and are included within grants and pledges receivable on the accompanying statement of financial position.

During 2021 and 2020, net assets in the amount of \$7,317,453 and \$7,250,641, respectively, were released for the satisfaction of program-related restrictions by expending required funds for the donor-specified purposes. During 2021 and 2020, net assets in the amount of \$1,005,000 and \$96,909, 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 moneys 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.

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.

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

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 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

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, 2021:

| | Endowment Net Asset Composition by Type of Fund as of December 31, 2021 | | |
|--|--|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 602,686 | \$ - | \$ 602,686 |
| Donor-restricted quasi-endowment funds | - | 313,361 | 313,361 |
| Total | \$ 602,686 | \$ 313,361 | \$ 916,047 |

Notes to Financial Statements

December 31, 2021 and 2020

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

Changes in endowment net assets for the year ended December 31, 2021 are composed of the following:

| | Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021 | | |
|--|--|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets - Beginning of year | \$ 522,480 | \$ 316,437 | \$ 838,917 |
| Net investment return | 80,206 | (3,076) | 77,130 |
| Endowment net assets - End of year | <u>\$ 602,686</u> | <u>\$ 313,361</u> | <u>\$ 916,047</u> |

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 | <u>\$ 522,480</u> | <u>\$ 316,437</u> | <u>\$ 838,917</u> |

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 | <u>\$ 522,480</u> | <u>\$ 316,437</u> | <u>\$ 838,917</u> |

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, 2021 and 2020.

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, expiring at various dates through August 2022. The total expense under these leases was \$181,259 and \$183,571 for the years ended December 31, 2021 and 2020, respectively.

Note 11 - Operating Leases (Continued)

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 \$118,301 and \$94,641 for the years ended December 31, 2021 and 2020, respectively.

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

| Years Ending December 31 | Amount |
|-----------------------------|-------------------|
| 2022 | \$ 171,142 |
| 2023 | 93,500 |
| Total | <u>\$ 264,642</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 \$257,381 and \$239,385 for the years ended December 31, 2021 and 2020, 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.