
Western Resource Advocates

Financial Report
December 31, 2019

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-16

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 statements of financial position as of December 31, 2019 and 2018 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, 2019 and 2018 and the results of its changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 8, 2020

Statement of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash	\$ 2,034,954	\$ 1,556,499
Grants and pledges receivable	4,247,207	3,025,560
Accounts receivable	6,162	314
Prepaid expenses	137,161	110,800
Total current assets	6,425,484	4,693,173
Investments	3,670,918	3,436,441
Grants and Pledges Receivable - Net of current portion and discount to present value	2,256,282	1,887,657
Property and Equipment - Net	70,006	54,018
Total assets	\$ 12,422,690	\$ 10,071,289
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 257,158	\$ 127,039
Accrued liabilities	121,410	70,436
Pass-through grants	-	75,000
Total liabilities	378,568	272,475
Net Assets		
Without donor restrictions	2,639,367	2,602,005
With donor restrictions	9,404,755	7,196,809
Total net assets	12,044,122	9,798,814
Total liabilities and net assets	\$ 12,422,690	\$ 10,071,289

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 900,505	\$ 1,263,600	\$ 2,164,105	\$ 625,398	\$ 3,001,850	\$ 3,627,248
In-kind contributions	11,388	-	11,388	7,605	-	7,605
Grants	48,345	7,718,380	7,766,725	62,250	5,700,624	5,762,874
Professional fees	-	14,908	14,908	-	28,055	28,055
Net investment return	187,937	47,902	235,839	(16,441)	(12,162)	(28,603)
Special events	106,112	-	106,112	92,269	-	92,269
Miscellaneous	43,696	-	43,696	14,327	-	14,327
Net assets released from restrictions	6,836,844	(6,836,844)	-	4,542,478	(4,542,478)	-
Total revenue, gains, and other support	8,134,827	2,207,946	10,342,773	5,327,886	4,175,889	9,503,775
Expenses						
Program services:						
Clean energy	4,679,194	-	4,679,194	2,251,935	-	2,251,935
Healthy rivers	1,545,773	-	1,545,773	1,701,890	-	1,701,890
Western lands	517,489	-	517,489	530,134	-	530,134
Air and water quality	83,442	-	83,442	109,813	-	109,813
Total program services	6,825,898	-	6,825,898	4,593,772	-	4,593,772
Support services:						
General and administrative	433,787	-	433,787	413,927	-	413,927
Fundraising	837,780	-	837,780	768,412	-	768,412
Total support services	1,271,567	-	1,271,567	1,182,339	-	1,182,339
Total expenses	8,097,465	-	8,097,465	5,776,111	-	5,776,111
Change in Net Assets	37,362	2,207,946	2,245,308	(448,225)	4,175,889	3,727,664
Net Assets - Beginning of year	2,602,005	7,196,809	9,798,814	3,050,230	3,020,920	6,071,150
Net Assets - End of year	\$ 2,639,367	\$ 9,404,755	\$ 12,044,122	\$ 2,602,005	\$ 7,196,809	\$ 9,798,814

Statement of Functional Expenses

Year Ended December 31, 2019

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

Year Ended December 31, 2018

	Program Services					Support Services		
	Clean Energy	Healthy Rivers	Western Lands	Air and Water Quality	Total	General and Administrative	Fundraising	Total
Personnel expenses	\$ 1,611,682	\$ 928,313	\$ 340,836	\$ 54,386	\$ 2,935,217	\$ 329,437	\$ 467,452	\$ 3,732,106
Communications	128,057	150,045	41,017	41,017	360,136	-	41,017	401,153
Consultants and professional fees	178,936	373,209	86,608	3,986	642,739	31,879	114,303	788,921
Grants, contributions, and sponsorships	8,128	62,490	2,190	45	72,853	-	3,178	76,031
Travel	97,300	37,957	12,992	907	149,156	4,263	7,649	161,068
Government affairs	85,416	59,791	22,208	3,417	170,832	-	-	170,832
Occupancy	59,335	27,310	11,174	2,036	99,855	18,045	13,936	131,836
Conferences and meetings	19,014	20,156	3,661	364	43,195	13,309	11,900	68,404
Supplies and technology	17,639	7,972	2,632	688	28,931	2,422	23,022	54,375
Events	-	9,449	-	-	9,449	-	60,855	70,304
Printing and publications	16,459	10,395	2,731	2,447	32,032	389	13,591	46,012
Telecommunications	13,109	6,361	1,816	331	21,617	2,203	2,635	26,455
Postage and delivery	858	309	54	20	1,241	689	3,127	5,057
Depreciation	13,772	5,903	1,777	76	21,528	7,521	2,502	31,551
Miscellaneous	2,230	2,230	438	93	4,991	3,770	3,245	12,006
Total functional expenses	\$ 2,251,935	\$ 1,701,890	\$ 530,134	\$ 109,813	\$ 4,593,772	\$ 413,927	\$ 768,412	\$ 5,776,111

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,245,308	\$ 3,727,664
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	39,763	31,551
Gain on disposal of property and equipment	-	(5,930)
Net realized and unrealized (gain) loss on investments	(144,277)	108,164
Changes in operating assets and liabilities that (used) provided cash:		
Grants and pledges receivable	(1,590,272)	(3,736,895)
Accounts receivable	(5,848)	13,165
Prepaid expenses	(26,361)	(22,226)
Accounts payable	130,119	89,605
Accrued liabilities	50,974	5,520
Pass-through grants	(75,000)	-
Net cash provided by operating activities	624,406	210,618
Cash Flows from Investing Activities		
Purchase of property and equipment	(55,751)	(71,464)
Proceeds from disposition of property and equipment	-	46,196
Purchases of investments	(99,748)	(84,338)
Sales of investments	9,548	85,451
Net cash used in investing activities	(145,951)	(24,155)
Net Increase in Cash	478,455	186,463
Cash - Beginning of year	1,556,499	1,370,036
Cash - End of year	<u>\$ 2,034,954</u>	<u>\$ 1,556,499</u>

December 31, 2019 and 2018

Note 1 - Nature of 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.

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.

Adoption of New Accounting Pronouncement

As of January 1, 2019, WRA adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. WRA elected to apply the new guidance for accounting for contributions received and made using a prospective approach. There were no changes to the recognition of contributions revenue in the accompanying financial statements due to the adoption of this ASU.

Cash Equivalents

For the purpose of the accompanying financial statements, WRA considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. WRA did not hold any cash equivalents at December 31, 2019 and 2018. As of the statement of financial position date and throughout the year, WRA has maintained bank balances in excess of federally insured limits.

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, which are 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 \$534,602 and \$457,905 at December 31, 2019 and 2018, 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.

Note 2 - Significant Accounting Policies (Continued)

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, whereby 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 as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met within the same year as 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, 2019, five foundations accounted for 69 percent of revenue, and two foundations accounted for 42 percent of grants and pledges receivable. As of December 31, 2018, one foundation accounted for 21 percent of revenue, and one foundation accounted for 66 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, 2019 and 2018

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 required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various programs 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 programs 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).

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. These reclassifications include the reclassification of certain investment funds from cash equivalents on the statement of financial position and the related impact on the statement of cash flows, and reclassification of the presentation of government affairs expenses on the statement of activities and changes in net assets and statement of functional expenses and the related impact on the statement of cash flows.

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, 2021 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 10, 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 8, 2020, which is the date the financial statements were available to be issued.

Notes to Financial Statements

December 31, 2019 and 2018

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:

	2019	2018
Cash	\$ 2,034,954	\$ 1,556,499
Grants and pledges receivable	6,503,489	4,913,217
Accounts receivable	6,162	314
Investments	3,670,918	3,436,441
	<u>12,215,523</u>	<u>9,906,471</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 8)	9,404,755	7,196,809
Board-designated endowment (Note 9)	534,602	457,905
	<u>9,939,357</u>	<u>7,654,714</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,276,166</u>	<u>\$ 2,251,757</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 \$2,000,000 and \$1,400,000 at December 31, 2019 and 2018, 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 \$534,602 and \$457,905 at December 31, 2019 and 2018, respectively, and a donor-restricted quasi endowment of \$263,621 and \$215,719 at December 31, 2019 and 2018, respectively. WRA intends to hold the principal of the donor-restricted quasi endowment in perpetuity, as described in Note 9. Income from the donor-restricted quasi endowment is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 9, the board-designated endowment has a spending rate of 5 percent at December 31, 2019 and 2018. 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, 2019 and 2018

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:

	2019	2018
Gross grants and pledges receivable	\$ 6,626,393	\$ 5,056,625
Less allowance for net present value discount	(122,904)	(143,408)
Net grants and pledges receivable	<u>\$ 6,503,489</u>	<u>\$ 4,913,217</u>
Amounts due in:		
Less than one year	\$ 4,247,207	\$ 3,025,560
One to five years	2,379,186	1,888,208
More than five years	-	142,857
Total	<u>\$ 6,626,393</u>	<u>\$ 5,056,625</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 whereby 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, 2019 and 2018 and the valuation techniques used by WRA to determine those fair values:

	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	\$ -	\$ -	<u>\$ 3,668,596</u>

December 31, 2019 and 2018

Note 5 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at
December 31, 2018

	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, 2018
Mutual funds	\$ 3,434,688	\$ -	\$ -	\$ 3,434,688

Cash held within the investment portfolio and included within investments on the accompanying statement of financial position totaled \$2,322 and \$1,753 as of December 31, 2019 and 2018, respectively.

Note 6 - Investment Return

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

	2019	2018
Interest and dividends	\$ 101,110	\$ 84,338
Net realized and unrealized gains (losses)	144,277	(108,164)
Fees	(9,548)	(4,777)
Total	\$ 235,839	\$ (28,603)

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018
Furniture and fixtures	\$ 212,628	\$ 193,776
Less accumulated depreciation	142,622	139,758
Net property and equipment	\$ 70,006	\$ 54,018

Depreciation expense for the years ended December 31, 2019 and 2018 was \$39,763 and \$31,551, respectively.

Note 8 - Net Assets

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

	2019	2018
Undesignated net assets	\$ 2,104,765	\$ 2,144,100
Board-designated net assets - Reserve endowment	534,602	457,905
Total net assets without donor restrictions	\$ 2,639,367	\$ 2,602,005

December 31, 2019 and 2018

Note 8 - Net Assets (Continued)

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

	2019	2018
Net assets with purpose restrictions:		
Clean energy	\$ 6,589,277	\$ 5,915,255
Healthy rivers	2,056,158	753,943
Western lands	627,411	346,352
Government affairs	30,000	-
Total purpose-restricted net assets	9,302,846	7,015,550
Net assets with time restrictions	101,909	181,259
Total	<u>\$ 9,404,755</u>	<u>\$ 7,196,809</u>

Net assets with purpose restrictions as of December 31, 2019 and 2018 included \$6,401,580 and \$4,913,217, respectively, of net assets with implied time restrictions and are included within grants and pledges receivable on the accompanying statement of financial position.

During 2019 and 2018, net assets in the amount of \$6,745,585 and \$4,437,478, respectively, were released for the satisfaction of program related restrictions by expending required funds for the donor-specified purposes. During 2019 and 2018, net assets in the amount of \$91,259 and \$105,000, respectively, were released due to the satisfaction of implied time restrictions related to collection of grants and pledges receivable.

Note 9 - 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.

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.

December 31, 2019 and 2018

Note 9 - 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 quasi-restricted 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

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, 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

Notes to Financial Statements

December 31, 2019 and 2018

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

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	<u>\$ 534,602</u>	<u>\$ 263,621</u>	<u>\$ 798,223</u>

WRA endowment net assets are composed of the following funds as of December 31, 2018:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 457,905	\$ -	\$ 457,905
Donor-restricted quasi-endowment funds	-	215,719	215,719
Total	<u>\$ 457,905</u>	<u>\$ 215,719</u>	<u>\$ 673,624</u>

Changes in endowment net assets for the year ended December 31, 2018 are composed of the following:

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 592,253	\$ 227,881	\$ 820,134
Net investment return	(49,571)	(12,162)	(61,733)
Appropriation of endowment assets for expenditure	(84,777)	-	(84,777)
Endowment net assets - End of year	<u>\$ 457,905</u>	<u>\$ 215,719</u>	<u>\$ 673,624</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, 2019 and 2018.

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.

December 31, 2019 and 2018

Note 10 - 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 \$150,926 and \$114,860 for the years ended December 31, 2019 and 2018, respectively.

WRA is additionally obligated under an operating lease for facilities through a related party (see Note 12). The related party lease is an annual lease and had rent expense of \$75,712 and \$65,229 for the years ended December 31, 2019 and 2018, respectively.

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

Years Ending December 31	Amount
2020	\$ 83,915
2021	25,456
2022	12,328
Total	<u>\$ 121,699</u>

Note 11 - 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 \$198,895 and \$150,516 for the years ended December 31, 2019 and 2018, respectively.

Note 12 - 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 10.

Note 13 - Subsequent Events

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 thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, WRA's activities have not been significantly impacted, but WRA continues to monitor the situation. Management has reviewed the fair value of their investment portfolio and other financial assets and determined that the potential impact cannot be determined at this time. No impairments were recorded as of the statement of financial of position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while WRA's activities, functional expenses, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.