

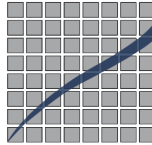
WESTERN RESOURCE ADVOCATES

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Western Resource Advocates
Boulder, Colorado

We have audited the accompanying financial statements of Western Resource Advocates (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of Western Resource Advocates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 US GAAP, 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 Western Resource Advocates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit 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 an audit conducted in accordance with auditing standards generally accepted in the United States of America 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.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Western Resource Advocates' 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 the Western Resource Advocates' 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BiggsKofford, P.C.

Denver, Colorado
May 21, 2024

WESTERN RESOURCE ADVOCATES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

Cash and equivalents	\$ 10,455,087
Restricted cash and equivalents	23,554
Accounts receivable, net	56,606
Grants and pledges receivable, net	6,709,547
Prepaid expenses and other current assets	161,973
Investments	3,360,917
Operating lease right-of-use assets	249,615
Property and equipment, net	<u>106,910</u>
 Total assets	 <u><u>\$ 21,124,209</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 337,735
Accrued and other liabilities	291,055
Operating lease liability	251,813
Funds held on behalf of others	<u>23,554</u>
 Total liabilities	 <u>904,157</u>
Net assets:	
Without donor restrictions	8,342,245
With donor restrictions	<u>11,877,807</u>
 Total net assets	 <u>20,220,052</u>
 Total liabilities and net assets	 <u><u>\$ 21,124,209</u></u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

WESTERN RESOURCE ADVOCATES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 2,620,244	\$ 10,788,977	\$ 13,409,221
Grants	266,371	4,131,307	4,397,678
In-kind contributions	52,621	-	52,621
Professional fees	349,048	-	349,048
Net investment income (loss)	183,651	-	183,651
Miscellaneous revenue	243,168	167	243,335
Total support and revenue	3,715,103	14,920,451	18,635,554
<u>RECLASSIFICATIONS</u>			
Net assets released from restrictions	9,798,222	(9,798,222)	-
<u>EXPENSES</u>			
Program services:			
Clean energy	5,977,584	-	5,977,584
Healthy rivers	2,532,009	-	2,532,009
Western lands	1,594,702	-	1,594,702
Total program services	10,104,295	-	10,104,295
Supporting activities:			
General and administrative	588,021	-	588,021
Fundraising	1,791,477	-	1,791,477
Total supporting activities	2,379,498	-	2,379,498
Total expenses	12,483,793	-	12,483,793
Change in net assets	1,029,532	5,122,229	6,151,761
Net assets, beginning of year	7,312,713	6,755,578	14,068,291
Net assets, end of year	\$ 8,342,245	\$ 11,877,807	\$ 20,220,052

The accompanying notes and independent auditor's report
should be read with these financial statements.

WESTERN RESOURCE ADVOCATES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	PROGRAM SERVICES				SUPPORTING ACTIVITIES			Totals
	Clean Energy	Healthy Rivers	Western Lands	Total Program Services	General and Administrative	Fundraising	Total Supporting Activities	
Personnel expenses	\$ 3,238,317	\$ 1,373,789	\$ 888,789	\$ 5,500,895	\$ 348,277	\$ 1,226,754	\$ 1,575,031	\$ 7,075,926
Marketing and communications	681,784	270,095	197,140	1,149,019	-	259,663	259,663	1,408,682
Consultants and professional fees	715,542	228,830	120,372	1,064,744	52,357	58,102	110,459	1,175,203
Government affairs	693,885	281,190	175,196	1,150,271	-	-	-	1,150,271
Grants, contributions, and sponsorships	138,172	162,633	83,333	384,138	-	10	10	384,148
Equity and culture	146,649	59,428	37,027	243,104	35,117	57,200	92,317	335,421
Occupancy	116,406	45,057	26,008	187,471	41,675	44,660	86,335	273,806
Conferences and meetings	61,719	46,483	20,894	129,096	55,474	29,981	85,455	214,551
Travel	74,773	29,559	24,180	128,512	6,714	23,253	29,967	158,479
Supplies and technology	16,669	5,910	2,721	25,300	23,504	29,363	52,867	78,167
Printing and publications	35,685	8,331	6,264	50,280	662	17,695	18,357	68,637
Telecommunications	28,218	11,250	6,246	45,714	7,730	10,748	18,478	64,192
Depreciation	27,074	8,852	6,162	42,088	5,539	8,610	14,149	56,237
Events	-	-	-	-	-	15,267	15,267	15,267
Postage and delivery	1,438	278	230	1,946	833	3,972	4,805	6,751
Miscellaneous	1,253	324	140	1,717	10,139	6,199	16,338	18,055
Total expenses	\$ 5,977,584	\$ 2,532,009	\$ 1,594,702	\$ 10,104,295	\$ 588,021	\$ 1,791,477	\$ 2,379,498	\$ 12,483,793

The accompanying notes and independent auditor's report should be read with these financial statements.

WESTERN RESOURCE ADVOCATES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 6,151,761
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Net investment (gain) loss	(119,106)
Depreciation	56,237
Non-cash operating lease expense	175,720
(Increase) decrease in assets:	
Accounts receivable	172,027
Grants and pledges receivable	(2,759,586)
Prepaid expenses and other current assets	(45,453)
Increase (decrease) in liabilities:	
Accounts payable	272,119
Accrued and other liabilities	104,633
Funds held on behalf of others	(1,122)
Operating lease liability	(176,869)
Net cash flows from operating activities	3,830,361

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(606,432)
Sales of investments	861,888
Purchases of property and equipment	(49,002)
Net cash flows from investing activities	206,454
Net change in cash and equivalents	4,036,815
Cash and equivalents, beginning of year	6,441,826
Cash and equivalents, end of year	\$ 10,478,641

STATEMENT OF FINANCIAL POSITION CLASSIFICATION OF CASH AND RESTRICTED CASH

Cash and equivalents	\$ 10,455,087
Restricted cash and equivalents	23,554
	\$ 10,478,641

The accompanying notes and independent auditor's report should be read with these financial statements.

WESTERN RESOURCE ADVOCATES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Resource Advocates ("WRA") is a regional nonprofit advocacy organization fighting climate change and its impacts to sustain the environment, economy, and people of the West. As the region's go-to experts for more than three decades, WRA's on-the-ground work advances clean energy and protects air, land, water, and wildlife.

WRA develops, advocates for, and implements science-based policies informed by diverse communities and stakeholders to create a healthier and more equitable future for all Western communities. WRA creates transformational change by driving action at the state level to effectively address complex conservation problems in the West.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

New accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* ("ASC Topic 326"). This ASU revises how organizations account for credit losses for most financial assets. On January 1, 2023, WRA adopted the requirements of ASC Topic 326. The adoption of ASC Topic 326 did not have a material impact on WRA's financial statements.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and equivalents

For purposes of the statement of cash flows, WRA considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

WRA maintains its cash and equivalents in financial institutions that, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. WRA has not experienced any losses related to such excess deposits.

See independent auditor's report.

WESTERN RESOURCE ADVOCATES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Restricted cash and funds held on behalf of others

Restricted cash at December 31, 2023 consists of funds held on behalf of an organization under a fiscal sponsorship agreement. There was \$23,554 of restricted cash held at December 31, 2023.

Accounts receivable

Accounts receivable are unsecured and stated at the amount WRA expects to collect. WRA maintains an allowance for credit losses for estimated losses resulting from the inability of any accounts to make required payments. Management considers the following factors when determining the collectability of specific accounts: creditworthiness, past transaction history, current economic industry trends, and changes in payment terms. As of December 31, 2023, management considers accounts receivable to be fully collectable. Accordingly, no allowance for credit losses has been recorded.

Grants and pledges receivable

Grants and pledges receivable consist of unconditional promises-to-give that are recorded at net realizable value. Grants and pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using estimated risk-free rates as of December 31, 2023. Amortization of the discount is included in contributions in the accompanying statement of activities.

Grants and pledges receivable were discounted using risk-free rates of instruments with similar inception and maturity dates and duration as of December 31, 2023. WRA also maintains an allowance for uncollectable pledges receivable and an allowance for doubtful accounts. Management considers the following factors when determining the collectability of specific grants and pledges receivable: creditworthiness, past transaction history, current economic industry trends, and changes in payment terms. As of December 31, 2023, management considers grants and pledges receivable to be fully collectable. Accordingly, no allowance for doubtful accounts has been recorded.

Investments

Investments having a readily determinable fair value are carried at fair value. Interest and dividends are recorded on the accrual basis. Gains and losses are recognized when incurred and included in the statement of activities. Donated investments are recognized at the estimated fair value on the date of the donation.

The board of directors of WRA has restricted the use of a portion of the investments as a board-designated endowment of \$406,194 as of December 31, 2023.

See independent auditor's report.

WESTERN RESOURCE ADVOCATES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Property and equipment

All acquisitions of property and equipment in excess of \$1,000 that materially prolong the useful lives of assets are capitalized and recorded at cost, or fair value, if donated. Property and equipment are depreciated using the straight-line method over estimated useful lives as follows:

Computers and accessories	3 years
Website design improvements	5 years
Office furniture and equipment	5 years

Leases

Management determines if an arrangement is a lease at inception of the arrangement. Operating leases are included in operating lease right-of-use assets and lease liabilities in the accompanying statement of financial position.

Right-of-use assets represent WRA's right to use an underlying asset for the lease term, and lease liabilities represent WRA's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The right-of-use assets also include any lease payments made and exclude lease incentives. WRA's lease terms may include options to extend or terminate the lease at management's discretion. Such options are included in the calculation of the right-of-use asset and lease liability, and are included in the future maturities of lease liabilities in Note 6, if management determines they are reasonably certain to exercise the options. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

WRA elected certain practical expedients permitted under the transition guidance that allowed WRA not to reassess: (1) whether expired or previously existing contracts are or contain leases, (2) lease classification for expired or previously existing leases, and (3) initial direct costs for expired or previously existing leases.

WRA elected a practical expedient to treat the lease and non-lease components of leases as a single lease component.

For leases that do not state or imply an interest rate, WRA elected a practical expedient to use a risk-free rate based on asset composition.

WRA elected to account for all leases with original terms of 12 months or less as short-term leases, which are expensed over the term of the lease and do not require recognition of right-of-use assets or lease liabilities.

See independent auditor's report.

WESTERN RESOURCE ADVOCATES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Net assets

The financial statements present information regarding the financial position and statements of activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions consist of resources available for use in operations, those resources invested in property and equipment, and board-designated net assets. Net assets with donor restrictions consist of resources restricted by donors as to purpose or by the passage of time.

Revenue recognition

Contributions and grants

In accordance with US GAAP, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions, if applicable. Contribution revenue is recognized when cash is received, when unconditional promises are made, or when ownership of contributed assets is transferred to WRA. When a donor restriction is satisfied, 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.

Grant revenue received is considered a nonexchange transaction and is recognized as the conditions of the grants are met. Grant funding received in advance of the conditions being met is recorded as deferred revenue.

Professional fees

Professional fees and miscellaneous revenue are recognized as revenue when earned and when all conditions have been met.

Functional expenses

Expenses are recognized when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. These expenses require allocation on a reasonable basis that is consistently applied. Any costs that could be directly assigned to a specific function are allocated to that function. The expenses that are allocated include personnel expenses, which are allocated based on an estimate of time and effort spent, and occupancy expenses, which are allocated based on building usage. For the purposes of the statement of functional expenses, WRA reclassifies portions of personnel expenses to more applicable natural classifications to better represent the true costs for specific natural classifications such as marketing and communications, equity and culture, and government affairs.

See independent auditor's report.

WESTERN RESOURCE ADVOCATES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Income taxes

WRA is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("Code") and is not a private foundation under Section 509(a)(2) of the Code. WRA evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC Topic 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions for WRA.

Subsequent events

Management has evaluated subsequent events through the date of the attached independent auditor's report, the date on which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet cash needs for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following as of December 31, 2023:

Financial assets at year end:	
Cash and equivalents	\$ 10,455,087
Accounts receivable, net	56,606
Grants and pledges receivable, net	4,049,507
Investments	<u>3,360,917</u>
Total financial assets	17,922,117
Less amounts unavailable for general expenditures within one year due to:	
Board-designated endowment	406,194
Net assets with donor restrictions	<u>11,877,807</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 5,638,116</u></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.

As part of WRA's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

See independent auditor's report.

WESTERN RESOURCE ADVOCATES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

WRA's endowment funds consist of a board-designated endowment fund of \$406,194 and a donor-restricted quasi-endowment of \$141,043 as of December 31, 2023. Income from the donor-restricted quasi-endowment is restricted for specific purposes and is not available for general expenditure. Withdrawals from the board-designated endowment fund require board approval, and become available for general expenditures when that approval occurs.

3. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consist of the following as of December 31, 2023:

Gross grants and pledges receivable	\$ 6,965,343
Less: discount on pledges receivable	<u>(255,796)</u>
Pledges receivable, net	<u><u>\$ 6,709,547</u></u>
Amounts due in:	
One year	\$ 4,049,507
Two to five years	<u>2,660,040</u>
	<u><u>\$ 6,709,547</u></u>

4. INVESTMENTS AND FAIR VALUE MEASUREMENT

US GAAP defines fair value and establishes a framework for measuring fair value and disclosure regarding fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the term "price" refers to the exit price as opposed to the entry price, which is the price paid to acquire the asset or received to assume the liability. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

US GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities that are based on inputs not quoted in active markets that can be corroborated by observable market data

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

See independent auditor's report.

WESTERN RESOURCE ADVOCATES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

The fair value of equities and mutual funds is based on quoted market prices and other relevant information generated by market transactions. The fair value of fixed income securities is based on their face value and the current interest rate environment.

Fair value of assets measured on a recurring basis is as follows as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Domestic equities	\$ 282,336	\$ -	\$ 282,336
Mutual funds:			
Bond mutual funds	1,581,034	-	1,581,034
Real estate funds	6,288	-	6,288
Fixed income securities:			
Corporate bonds	-	46,819	46,819
Municipal bonds	-	1,165,262	1,165,262
Agency securities	-	148,803	148,803
Total investments at fair value	<u>\$ 1,869,658</u>	<u>\$ 1,360,884</u>	3,230,542
Cash, cash equivalents, and money market funds held in investments			<u>130,375</u>
Total investments			<u>\$ 3,360,917</u>

Total investment income consists of the following for the year ended December 31, 2023:

Interest and dividends	\$ 95,111
Net realized and unrealized gains (losses)	119,106
Investment fees	<u>(30,566)</u>
	<u>\$ 183,651</u>

See independent auditor's report.

WESTERN RESOURCE ADVOCATES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2023:

Computers and accessories	\$ 303,923
Website design improvements	24,650
Office furniture and equipment	<u>7,080</u>
	335,653
Less accumulated depreciation	<u>(228,743)</u>
Property and equipment, net	<u><u>\$ 106,910</u></u>

Depreciation expense for the year ended December 31, 2023 totaled \$56,237.

6. LEASES

WRA leases office facilities and equipment under long-term, non-cancelable operating lease agreements. The leases expire on various dates through 2025. The lease agreements require monthly payments ranging from \$2,797 to \$8,250.

Operating lease expense is included in occupancy in the accompanying statement of functional expenses and totaled \$175,720 for the year ended December 31, 2023.

Future maturities of lease liabilities are as follows for the years ending:

December 31,	Operating
2024	\$ 170,074
2025	<u>90,750</u>
Total minimum lease payments	260,824
Less amount representing interest	<u>(9,011)</u>
Present value of operating lease liabilities	<u><u>\$ 251,813</u></u>

See independent auditor's report.

WESTERN RESOURCE ADVOCATES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Other information with respect to leases is as follows as of and for the year ended December 31, 2023:

	Operating Leases
Right-of-use assets obtained in exchange for new lease liabilities	\$ 189,615
Weighted-average remaining lease term (years)	1.58
Weighted-average discount rate	4.20%

The lease agreements require WRA to comply with certain covenants and to maintain certain financial ratios. As of December 31, 2023, WRA was in compliance.

7. NET ASSETS

Net assets without donor restrictions consist of the following as of December 31, 2023:

Undesignated net assets	\$ 7,936,051
Board-designated net assets - reserve endowment	406,194
Total net assets without donor restrictions	\$ 8,342,245

Net assets with donor restrictions consist of the following as of December 31, 2023:

Net assets with purpose restrictions:	
Clean energy	\$ 3,041,025
Healthy rivers	1,841,619
Western lands	317,125
Total net assets with purpose restrictions	5,199,769
Net assets with implied time restrictions	6,678,038
Total net assets with donor restrictions	\$ 11,877,807

8. ENDOWMENTS

WRA's endowment consists of a donor-restricted quasi-endowment fund and a board-designated endowment funds. Quasi-endowments are purpose-restricted gifts that WRA's board has designated to function as endowments. Net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

See independent auditor's report.

WESTERN RESOURCE ADVOCATES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Board-designated endowment

During the year ended December 31, 2005, WRA's board established an endowment committee to manage net assets without donor restrictions received from an estate. 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

WRA established a reserve endowment that would also be managed by the endowment committee. The reserve endowment was set up with purpose-restricted funds received from a donor. The committee may distribute 0 percent of the fund annually unless otherwise approved by a two-thirds vote of the board.

Interpretation of relevant law

Effective September 1, 2008, Uniform Prudent Management of Institutional Funds Act ("UPMIFA") provides statutory guidance for management, investment and expenditures of endowment funds held by nonprofit organizations.

WRA has interpreted the state of Colorado's UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2023, there were no such donor stipulations. As a result of this interpretation, WRA retains in perpetuity (a) the original value of initial and subsequent gift amounts donated or designated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added or the applicable board designations and spending policies. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by WRA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, WRA considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of WRA and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of WRA
- 7) The investment policies of WRA

See independent auditor's report.

WESTERN RESOURCE ADVOCATES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

WRA has adopted investment and spending policies for the endowment funds that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target minimum rate of return for the board-designated endowment is designed around a 7-10 year time horizon while the target minimum rate of return for the quasi-endowment is designed around a 0-5 year time horizon. Both target rates of return are intended to produce a long-term rate of return that is greater than the rate of inflation. To satisfy rate-of-return objectives, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net asset composition by type and changes in endowment assets are as follows for the years ended December 31,:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, December 31, 2022	\$ 500,739	\$ 289,242	\$ 789,981
Investment return, net	65,455	11,801	77,256
Appropriated for expenditure	<u>(160,000)</u>	<u>(160,000)</u>	<u>(320,000)</u>
Endowment assets, December 31, 2023	<u>\$ 406,194</u>	<u>\$ 141,043</u>	<u>\$ 547,237</u>

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). WRA has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2023, there were no funds with deficiencies.

9. RETIREMENT PLAN

WRA sponsors a 401(k) retirement plan ("Plan") covering all eligible employees. Employees may make contributions to the Plan up to the maximum allowed by the Internal Revenue Code and WRA matches 5% of employee contributions. WRA's contributions to the Plan totaled \$330,437 for the year ended December 31, 2023.

See independent auditor's report.

WESTERN RESOURCE ADVOCATES

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10. RELATED PARTY TRANSACTIONS

Environmental Center of the Rockies

Environmental Center of the Rockies ("ECR") is a supporting organization of WRA. Though ECR shares a common board member, this board member represents a minority of the ECR board, and WRA does not have an economic interest in ECR; therefore, ECR is not consolidated with WRA. WRA had a facility lease with ECR that ended during the year ended December 31, 2023, as described in Note 6.

WRA paid for \$107 of ECR's expenses during the year ended December 31, 2023, and \$10 of that amount is owed to WRA from ECR and is included in accounts receivable on the statement of financial position as of December 31, 2023. WRA received a grant from ECR in the amount of \$2,880,000 during the year ended December 31, 2023.

WRA Action Fund

WRA Action Fund ("WRA-AF") is a 501(c)(4) organization with the mission of advancing solutions to climate change and its impact. Though WRA-AF shares a common board member, this board member represents a minority of the WRA-AF board, and WRA does not have an economic interest in WRA-AF; therefore, WRA-AF is not consolidated with WRA.

In April 2022, WRA and WRA-AF entered into an allocation of costs and reimbursement of expenses agreement for the purpose of sharing certain common expenses, primarily personnel, equipment, and facilities costs. Under this agreement, WRA paid for \$3,706 of WRA-AF's expenses during the year ended December 31, 2023, and \$1,945 of that amount is owed to WRA from WRA-AF and is included in accounts receivable on the statement of financial position as of December 31, 2023. WRA granted funds to WRA-AF in the amount of \$250,000 during the year ended December 31, 2023.

11. CONCENTRATIONS

As of December 31, 2023, two funders accounted for 41% of total contributions and grants. Four funders accounted for 89% of gross grants and pledges receivable.

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See independent auditor's report.