

**FOREST SERVICE EMPLOYEES FOR  
ENVIRONMENTAL ETHICS, INC.**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2016 and 2015**



FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
FINANCIAL STATEMENTS  
For the Years Ended December 31, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Forest Service Employees for Environmental Ethics, Inc.  
Eugene, Oregon

We have audited the accompanying financial statements of Forest Service Employees for Environmental Ethics, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forest Service Employees for Environmental Ethics, Inc. as of December 31, 2016 and 2015, 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.

*Jones & Roth, P.C.*

Jones & Roth, P.C.  
Eugene, Oregon  
May 4, 2017

## FINANCIAL STATEMENTS

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 348,695	\$ 362,058
Investments	-	99,630
Restricted litigation fund	100,755	100,495
Accounts receivable	19,711	16,588
Prepaid expenses	9,516	7,503
Total current assets	478,677	586,274
<b>Property and equipment</b>		
Equipment and furnishings	14,672	18,238
Accumulated depreciation	(12,705)	(16,397)
Property and equipment, net	1,967	1,841
<b>Other assets</b>		
Deposits	2,534	2,540
Endowment fund investment	1,171	1,169
Total other assets	3,705	3,709
<b>Total assets</b>	<b>\$ 484,349</b>	<b>\$ 591,824</b>

	<u>2016</u>	<u>2015</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 8,933	\$ 4,537
Accrued payroll taxes and withholdings	1,322	1,764
Accrued vacation payable	<u>24,034</u>	<u>19,053</u>
Total current liabilities	<u>34,289</u>	<u>25,354</u>
<b>Net assets</b>		
Unrestricted	293,336	390,058
Temporarily restricted	155,724	175,412
Permanently restricted	<u>1,000</u>	<u>1,000</u>
Total net assets	<u>450,060</u>	<u>566,470</u>
<b>Total liabilities and net assets</b>	<u>\$ 484,349</u>	<u>\$ 591,824</u>

The accompanying notes are an integral part of these statements.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Support</b>				
Donations	\$ 337,475	\$ 88,321	\$ -	\$ 425,796
Grants	-	-	-	-
Bequests	<u>38,855</u>	<u>-</u>	<u>-</u>	<u>38,855</u>
Total support	<u>376,330</u>	<u>88,321</u>	<u>-</u>	<u>464,651</u>
<b>Revenue</b>				
Investment revenue	702	412	-	1,114
Miscellaneous	<u>161</u>	<u>-</u>	<u>-</u>	<u>161</u>
Total revenue	<u>863</u>	<u>412</u>	<u>-</u>	<u>1,275</u>
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions	<u>108,421</u>	<u>(108,421)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>485,614</u>	<u>(19,688)</u>	<u>-</u>	<u>465,926</u>
<b>Expenses</b>				
Program services:				
Forest protection and whistleblowing	185,238	-	-	185,238
Membership services	161,922	-	-	161,922
Education	<u>82,269</u>	<u>-</u>	<u>-</u>	<u>82,269</u>
Total program services	429,429	-	-	429,429
Fundraising	59,062	-	-	59,062
Support services	<u>93,845</u>	<u>-</u>	<u>-</u>	<u>93,845</u>
Total expenses	<u>582,336</u>	<u>-</u>	<u>-</u>	<u>582,336</u>
<b>Change in net assets</b>	(96,722)	(19,688)	-	(116,410)
Net assets, beginning of year	<u>390,058</u>	<u>175,412</u>	<u>1,000</u>	<u>566,470</u>
Net assets, end of year	<u>\$ 293,336</u>	<u>\$ 155,724</u>	<u>\$ 1,000</u>	<u>\$ 450,060</u>



2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 320,010	\$ 81,147	\$ -	\$ 401,157
-	10,500	-	10,500
<u>116,179</u>	<u>-</u>	<u>-</u>	<u>116,179</u>
<u>436,189</u>	<u>91,647</u>	<u>-</u>	<u>527,836</u>
312	404	-	716
<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>
<u>318</u>	<u>404</u>	<u>-</u>	<u>722</u>
<u>106,382</u>	<u>(106,382)</u>	<u>-</u>	<u>-</u>
<u>542,889</u>	<u>(14,331)</u>	<u>-</u>	<u>528,558</u>
197,692	-	-	197,692
149,387	-	-	149,387
<u>65,217</u>	<u>-</u>	<u>-</u>	<u>65,217</u>
412,296	-	-	412,296
56,110	-	-	56,110
<u>88,501</u>	<u>-</u>	<u>-</u>	<u>88,501</u>
<u>556,907</u>	<u>-</u>	<u>-</u>	<u>556,907</u>
(14,018)	(14,331)	-	(28,349)
<u>404,076</u>	<u>189,743</u>	<u>1,000</u>	<u>594,819</u>
<u>\$ 390,058</u>	<u>\$ 175,412</u>	<u>\$ 1,000</u>	<u>\$ 566,470</u>

The accompanying notes are an integral part of these statements.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2016

	Forest Protection and Whistleblowing	Membership Services	Education	Total Program Services
Wages	\$ 125,142	\$ 32,088	\$ 40,653	\$ 197,883
Payroll taxes	10,491	2,811	3,368	16,670
Employee benefits	24,899	9,601	7,298	41,798
Professional services	-	3,062	10,987	14,049
Depreciation	183	160	81	424
Fees and licenses	865	5,925	-	6,790
Insurance	849	742	377	1,968
Mailing/shipping	2,740	49,178	5,330	57,248
Maintenance and garbage	718	628	317	1,663
Miscellaneous	2,663	-	-	2,663
Printing and production	679	48,117	9,109	57,905
Promotional expenses	-	-	40	40
Rent and utilities	8,117	7,095	3,604	18,816
Supplies and subscriptions	3,949	451	30	4,430
Telephone	2,362	2,064	1,049	5,475
Travel	1,581	-	26	1,607
	<u>185,238</u>	<u>161,922</u>	<u>82,269</u>	<u>429,429</u>
Total functional expenses	<u>\$ 185,238</u>	<u>\$ 161,922</u>	<u>\$ 82,269</u>	<u>\$ 429,429</u>

<u>Fundraising</u>	<u>Support Services</u>	<u>Total</u>
\$ 27,819	\$ 58,280	\$ 283,982
2,334	4,723	23,727
7,165	12,173	61,136
382	8,650	23,081
58	92	574
-	2,291	9,081
271	429	2,668
7,452	410	65,110
229	364	2,256
-	404	3,067
9,817	-	67,722
-	-	40
2,588	4,112	25,516
132	721	5,283
753	1,196	7,424
62	-	1,669
<u>\$ 59,062</u>	<u>\$ 93,845</u>	<u>\$ 582,336</u>

The accompanying notes are an integral part of these statements.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2015

	<u>Forest Protection and Whistleblowing</u>	<u>Membership Services</u>	<u>Education</u>	<u>Total Program Services</u>
Wages	\$ 125,616	\$ 28,246	\$ 33,645	\$ 187,507
Payroll taxes	10,863	2,627	2,945	16,435
Employee benefits	24,070	7,436	5,023	36,529
Professional services	6,303	1,849	5,000	13,152
Depreciation	216	163	71	450
Fees and licenses	645	5,991	-	6,636
Insurance	915	692	302	1,909
Mailing/shipping	5,806	47,362	6,211	59,379
Maintenance and garbage	875	662	289	1,826
Miscellaneous	2,734	-	-	2,734
Printing and production	1,740	45,478	7,805	55,023
Promotional expenses	-	-	47	47
Rent and utilities	8,780	6,635	2,897	18,312
Supplies and subscriptions	4,095	363	66	4,524
Telephone	2,492	1,883	822	5,197
Travel	<u>2,542</u>	<u>-</u>	<u>94</u>	<u>2,636</u>
 Total functional expenses	 <u>\$ 197,692</u>	 <u>\$ 149,387</u>	 <u>\$ 65,217</u>	 <u>\$ 412,296</u>

<u>Fundraising</u>	<u>Support Services</u>	<u>Total</u>
\$ 24,739	\$ 52,771	\$ 265,017
2,232	4,778	23,445
6,093	10,911	53,533
284	9,213	22,649
61	96	607
-	2,425	9,061
259	410	2,578
9,049	499	68,927
248	392	2,466
-	870	3,604
9,601	37	64,661
-	-	47
2,492	3,931	24,735
220	1,053	5,797
707	1,115	7,019
<u>125</u>	<u>-</u>	<u>2,761</u>
<u>\$ 56,110</u>	<u>\$ 88,501</u>	<u>\$ 556,907</u>

The accompanying notes are an integral part of these statements.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (116,410)	\$ (28,349)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	574	607
Unrealized (gain) loss on investments	212	(42)
(Increase) decrease in operating assets:		
Accounts receivable	(3,123)	(4,819)
Prepaid expenses	(2,013)	3,755
Deposits	6	(6)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	4,396	2,948
Accrued payroll taxes and withholdings	(442)	1,051
Accrued vacation payable	4,981	17
	(111,819)	(24,838)
<b>Net cash used by operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of equipment	(700)	(775)
Net proceeds from sale of (purchase of) investments	99,418	(99,588)
Deposit to endowment fund investment	(2)	(2)
Deposit to restricted litigation fund	(260)	(254)
	98,456	(100,619)
<b>Net cash provided (used) by investing activities</b>		
<b>Decrease in cash and cash equivalents</b>	(13,363)	(125,457)
Cash and cash equivalents, beginning of year	362,058	487,515
Cash and cash equivalents, end of year	\$ 348,695	\$ 362,058
<b>Supplemental disclosure of noncash transactions</b>		
Donation of stock	\$ 9,151	\$ 8,439

The accompanying notes are an integral part of these statements.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Activities**

The mission of Forest Service Employees for Environmental Ethics, Inc. (FSEEE) is to protect national forests and to reform the U.S. Forest Service by advocating environmental ethics, educating citizens, and defending whistleblowers.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of FSEEE and changes therein are classified as unrestricted, temporarily restricted, and permanently restricted.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Expense Allocation**

FSEEE allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on actual direct expenses as a percentage of total expenses.

**Income Tax Status**

FSEEE is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, FSEEE qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). FSEEE files required informational returns with both the U.S. federal jurisdiction and the state of Oregon.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents include savings and checking accounts and money market funds.

**Accounts Receivable**

At December 31, 2016 and 2015, accounts receivable consisted of unpaid amounts due to FSEEE of \$19,711 and \$16,588, respectively. Management considers all receivables fully collectible; therefore, no allowance for doubtful accounts has been recorded.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
NOTES TO FINANCIAL STATEMENTS

**2. Summary of Significant Accounting Policies, continued**

**Property and Equipment**

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Donated equipment is recorded at its fair market value at the date of the donation. Purchased equipment is recorded at cost. FSEEE does not use a dollar threshold as a capitalization policy, but rather looks at the useful life to determine capitalization.

**Restricted Litigation Fund**

During the year ended December 31, 2013, FSEEE received a donation with the restricted purpose of establishing a reserve fund that is to be used to reimburse FSEEE for litigation costs incurred when proceeding with environmental litigation projects. Earnings on the fund are also considered temporarily restricted for the same purpose. The fund is owned by FSEEE; however, the fund is to be held by a designated third party for investment. FSEEE may request distributions from the fund for eligible costs related to project litigation.

**Investments**

Investments in marketable equity and fixed income securities with readily determinable fair value are stated at fair value. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Restricted and Unrestricted Revenue and Support**

Contributions, grants, and bequests received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The endowment fund investment is permanently restricted by the donor.

**Non-Cash Donations**

*Donated Goods*

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Equities with a value of \$9,151 and \$8,439 were recorded as unrestricted contributions during the years ended December 31, 2016 and 2015, respectively. It is the policy of FSEEE to convert donated equities to cash as soon as practicable after acquisition.



FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
NOTES TO FINANCIAL STATEMENTS

**2. Summary of Significant Accounting Policies, continued**

**Non-Cash Donations, continued**

*Donated Services*

No amounts have been reflected in the financial statements for donated services, other than services requiring specific expertise or which create or enhance non-financial assets.

Donations of services requiring specific expertise or that create or enhance non-financial assets are recorded as in-kind contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions. There were no donated services that met the criteria for recognition for the years ended December 31, 2016 and 2015.

**3. Lease Commitment**

In June 2011, FSEEE entered into an operating lease for a space located in Eugene, Oregon. The lease calls for monthly payments of \$1,550 for the first year, increasing 2.5 percent each year thereafter. The lease was renewed in July 2014. The renewed lease calls for monthly payments of \$1,662 increasing by 2 percent each July, thereafter. Per the terms of the lease agreement, monthly lease payments are reduced by the amount of real property tax exemption benefit, if any, that is passed through to the lessor. The lease expires June 30, 2017.

Rental expense for operating leases for the years ended December 31, 2016 and 2015, was \$20,580 and \$18,935 respectively, after a reduction of \$-0- and \$1,201 for the real property tax exemption in 2016 and 2015, respectively.

Minimum payments over the term of the agreement are as follows:

For the Year Ending December 31,	
2017	\$ <u>10,416</u>

**4. Concentration of Deposit Risk**

FSEEE maintains its cash and cash equivalent balances in three financial institutions. A portion of these deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. Balances may periodically exceed FDIC insured limits. At December 31, 2016 and 2015, there were no amounts uninsured by the FDIC.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
NOTES TO FINANCIAL STATEMENTS

**5. Accrued Vacation Payable**

Vacation pay is charged to expense when earned. At December 31, 2016 and 2015, accrued vacation payable was \$24,034 and \$19,053, respectively.

**6. Restrictions on Net Assets**

At December 31, temporarily restricted net assets are available for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
Appeal donations available for subsequent years	\$ 43,165	\$ 53,062
Restricted litigation fund	101,057	100,645
Grants available for subsequent years' activities	<u>11,502</u>	<u>21,705</u>
Total temporarily restricted net assets	<u>\$ 155,724</u>	<u>\$ 175,412</u>

At December 31, 2016 and 2015, permanently restricted net assets consisted of \$1,000 in an endowment fund that was established December 24, 2004. The income from the assets can be used to support FSEEE's general activities. The net assets are invested in a certificate of deposit.

**7. Concentration of Revenue Sources**

FSEEE received a significant portion of its revenues from one source in 2015. Donations from this source accounted for 18.92 percent of FSEEE's total revenue for the year ended 2015. In 2016, FSEEE had no such concentration in its revenue sources.

**8. 403(b) Retirement Plan**

FSEEE has a 403(b) retirement plan covering all employees on the first month of employment. Employees may elect to contribute an amount determined by the plan's contribution formula. In July 2002, FSEEE began providing a matching contribution to the employee's contributions up to a maximum FSEEE contribution of 5 percent of the employee's salary. For the years ended December 31, 2016 and 2015, it was determined FSEEE would provide a matching contribution to employees. The total contribution for the years ended December 31, 2016 and 2015, was \$13,950 and \$13,250, respectively, and is included in employee benefits.

Under the 403(b) plan, contributions are made directly to participants' individual accounts. After the funds have been distributed to these accounts, FSEEE has no fiduciary responsibility or control over the accounts.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
NOTES TO FINANCIAL STATEMENTS

## 9. Fair Value Measurement

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which FSEEE has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

At December 31, 2015, FSEEE's investments measured at fair value were comprised of fixed income mutual funds. The inputs used to measure the asset were considered Level 1 inputs. FSEEE had no investments measured at fair value at December 31, 2016.

## 10. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported net assets for change in net assets.

## 11. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.