

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

FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016



FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.
FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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.

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, 2017 and 2016, 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
March 22, 2018

FINANCIAL STATEMENTS

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 303,831	\$ 348,695
Restricted litigation fund	37,569	100,755
Accounts receivable	24,791	19,711
Bequest receivable	15,000	-
Prepaid expenses	<u>16,104</u>	<u>9,516</u>
 Total current assets	 <u>397,295</u>	 <u>478,677</u>
Property and equipment		
Equipment and furnishings	14,672	14,672
Accumulated depreciation	<u>(13,367)</u>	<u>(12,705)</u>
 Property and equipment, net	 <u>1,305</u>	 <u>1,967</u>
Other assets		
Deposits	2,564	2,534
Endowment fund investment	<u>1,172</u>	<u>1,171</u>
 Total other assets	 <u>3,736</u>	 <u>3,705</u>
 Total assets	 <u><u>\$ 402,336</u></u>	 <u><u>\$ 484,349</u></u>

	<u>2017</u>	<u>2016</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,603	\$ 8,933
Accrued payroll taxes and withholdings	1,653	1,322
Accrued vacation payable	<u>20,655</u>	<u>24,034</u>
Total current liabilities	<u>23,911</u>	<u>34,289</u>
Net assets		
Unrestricted	233,243	293,336
Temporarily restricted	144,182	155,724
Permanently restricted	<u>1,000</u>	<u>1,000</u>
Total net assets	<u>378,425</u>	<u>450,060</u>
Total liabilities and net assets	<u>\$ 402,336</u>	<u>\$ 484,349</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, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support				
Donations	\$ 381,477	\$ 121,323	\$ -	\$ 502,800
Bequests	15,000	-	-	15,000
 Total support	<u>396,477</u>	<u>121,323</u>	<u>-</u>	<u>517,800</u>
Revenue				
Investment revenue	672	328	-	1,000
Miscellaneous	55	-	-	55
 Total revenue	<u>727</u>	<u>328</u>	<u>-</u>	<u>1,055</u>
Net assets released from restrictions				
Satisfaction of program restrictions	133,193	(133,193)	-	-
 Total support and revenue	<u>530,397</u>	<u>(11,542)</u>	<u>-</u>	<u>518,855</u>
Expenses				
Program services:				
Forest protection and whistleblowing	196,270	-	-	196,270
Membership services	183,509	-	-	183,509
Education	68,379	-	-	68,379
 Total program services	448,158	-	-	448,158
Fundraising	51,253	-	-	51,253
Support services	91,079	-	-	91,079
 Total expenses	<u>590,490</u>	<u>-</u>	<u>-</u>	<u>590,490</u>
Change in net assets	(60,093)	(11,542)	-	(71,635)
Net assets, beginning of year	<u>293,336</u>	<u>155,724</u>	<u>1,000</u>	<u>450,060</u>
Net assets, end of year	<u>\$ 233,243</u>	<u>\$ 144,182</u>	<u>\$ 1,000</u>	<u>\$ 378,425</u>

2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 337,475	\$ 88,321	\$ -	\$ 425,796
<u>38,855</u>	<u>-</u>	<u>-</u>	<u>38,855</u>
<u>376,330</u>	<u>88,321</u>	<u>-</u>	<u>464,651</u>
702	412	-	1,114
<u>161</u>	<u>-</u>	<u>-</u>	<u>161</u>
<u>863</u>	<u>412</u>	<u>-</u>	<u>1,275</u>
<u>108,421</u>	<u>(108,421)</u>	<u>-</u>	<u>-</u>
<u>485,614</u>	<u>(19,688)</u>	<u>-</u>	<u>465,926</u>
185,238	-	-	185,238
161,922	-	-	161,922
<u>82,269</u>	<u>-</u>	<u>-</u>	<u>82,269</u>
429,429	-	-	429,429
59,062	-	-	59,062
<u>93,845</u>	<u>-</u>	<u>-</u>	<u>93,845</u>
<u>582,336</u>	<u>-</u>	<u>-</u>	<u>582,336</u>
(96,722)	(19,688)	-	(116,410)
<u>390,058</u>	<u>175,412</u>	<u>1,000</u>	<u>566,470</u>
<u>\$ 293,336</u>	<u>\$ 155,724</u>	<u>\$ 1,000</u>	<u>\$ 450,060</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, 2017

	Forest Protection and Whistleblowing	Membership Services	Education	Total Program Services
Wages	\$ 131,173	\$ 29,559	\$ 37,124	\$ 197,856
Payroll taxes	11,076	2,608	3,122	16,806
Employee benefits	26,212	8,417	6,082	40,711
Professional services	2,900	2,113	4,400	9,413
Depreciation	220	206	77	503
Fees and licenses	1,373	4,822	-	6,195
Insurance	922	862	321	2,105
Mailing and shipping	2,572	66,211	4,286	73,069
Maintenance and garbage	869	812	303	1,984
Meetings	1,908	-	-	1,908
Printing and production	1,311	57,468	8,662	67,441
Promotional expenses	-	-	63	63
Rent and utilities	8,942	8,361	3,115	20,418
Supplies and subscriptions	4,252	321	56	4,629
Telephone	1,869	1,747	651	4,267
Travel	671	2	117	790
	<u>671</u>	<u>2</u>	<u>117</u>	<u>790</u>
Total functional expenses	<u>\$ 196,270</u>	<u>\$ 183,509</u>	<u>\$ 68,379</u>	<u>\$ 448,158</u>

<u>Fundraising</u>	<u>Support Services</u>	<u>Total</u>
\$ 19,042	\$ 52,841	\$ 269,739
2,039	4,538	23,383
5,327	12,462	58,500
196	8,910	18,519
57	102	662
-	3,411	9,606
241	428	2,774
9,531	442	83,042
227	403	2,614
-	1,032	2,940
11,631	256	79,328
-	-	63
2,335	4,150	26,903
26	984	5,639
488	868	5,623
113	252	1,155
<u>\$ 51,253</u>	<u>\$ 91,079</u>	<u>\$ 590,490</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 <u>Whistleblowing</u>	Membership <u>Services</u>	<u>Education</u>	Total Program <u>Services</u>
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
Meetings	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>1,581</u>	<u>-</u>	<u>26</u>	<u>1,607</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.
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (71,635)	\$ (116,410)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	662	574
Unrealized loss on investments	-	212
(Increase) decrease in operating assets:		
Accounts receivable	(5,080)	(3,123)
Bequest receivable	(15,000)	-
Prepaid expenses	(6,588)	(2,013)
Deposits	(30)	6
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(7,330)	4,396
Accrued payroll taxes and withholdings	331	(442)
Accrued vacation payable	(3,379)	4,981
	<u>(108,049)</u>	<u>(111,819)</u>
Cash flows from investing activities		
Purchase of equipment	-	(700)
Net proceeds from endowment fund investments	-	99,418
Deposit to endowment fund investment	(1)	(2)
Net withdrawals from (deposits to) restricted litigation fund	63,186	(260)
	<u>63,185</u>	<u>98,456</u>
Decrease in cash and cash equivalents	(44,864)	(13,363)
Cash and cash equivalents, beginning of year	<u>348,695</u>	<u>362,058</u>
Cash and cash equivalents, end of year	<u>\$ 303,831</u>	<u>\$ 348,695</u>
Supplemental disclosure of noncash transactions		
Donation of stock	<u>\$ 9,110</u>	<u>\$ 9,151</u>

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, 2017 and 2016, accounts receivable consisted of unpaid amounts due to FSEEE of \$24,751 and \$19,711, 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. The fund is invested in cash equivalents. FSEEE may request distributions from the fund for eligible costs related to project litigation.

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 \$9,110 and \$9,151 were recorded as unrestricted contributions during the years ended December 31, 2017 and 2016, respectively. It is the policy of FSEEE to convert donated equities to cash as soon as practicable after acquisition.

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, 2017 and 2016.

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

3. Lease Commitment

In June 2011, FSEEE entered into an operating lease for a space located in Eugene, Oregon. The lease was last renewed in July 2017 and now expires June 30, 2020. The extended lease calls for monthly payments of \$1,779 for the first year, increasing 2.5 percent each year thereafter. Rental expense for operating leases for the years ended December 31, 2017 and 2016, was \$21,090 and \$20,580 respectively.

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

<u>For the Year Ending December 31,</u>	
2018	\$ 21,615
2019	22,155
2020	<u>11,214</u>
	<u>\$ 54,984</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, 2017 and 2016, there were no amounts uninsured by the FDIC.

5. Accrued Vacation Payable

Vacation pay is charged to expense when earned. At December 31, 2017 and 2016, accrued vacation payable was \$20,655 and \$24,034, respectively.

6. Restrictions on Net Assets

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

	2017	2016
Appeal donations available for subsequent years	\$ 103,887	\$ 43,165
Restricted litigation fund	38,740	101,057
Grants available for subsequent years' activities	<u>1,555</u>	<u>11,502</u>
Total temporarily restricted net assets	<u>\$ 144,182</u>	<u>\$ 155,724</u>

At December 31, 2017 and 2016, 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.

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

7. 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, 2017 and 2016, it was determined FSEEE would provide a matching contribution to employees. The total contribution for the years ended December 31, 2017 and 2016, was \$13,656 and \$13,950, 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.

8. 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.