

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

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2018 and 2017**



FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
FINANCIAL STATEMENTS  
For the Years Ended December 31, 2018 and 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 13

## 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, 2018 and 2017, 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, 2018 and 2017, 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  
April 23, 2019

## FINANCIAL STATEMENTS

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 318,284	\$ 303,831
Restricted litigation fund	38,059	37,569
Accounts receivable, net of allowance of \$1,189 for 2018 and \$-0- for 2017	16,938	24,791
Bequest receivable	-	15,000
Prepaid expenses	20,013	16,104
Total current assets	393,294	397,295
<b>Property and equipment</b>		
Equipment and furnishings	13,972	14,672
Accumulated depreciation	(13,713)	(13,367)
Property and equipment, net	259	1,305
<b>Other assets</b>		
Deposits	2,479	2,564
Endowment fund investment	1,173	1,172
Total other assets	3,652	3,736
<b>Total assets</b>	<b>\$ 397,205</b>	<b>\$ 402,336</b>

	<u>2018</u>	<u>2017</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 849	\$ 1,603
Accrued payroll taxes and withholdings	186	1,653
Accrued vacation payable	<u>19,752</u>	<u>20,655</u>
Total current liabilities	<u>20,787</u>	<u>23,911</u>
<b>Net assets</b>		
Without donor restrictions	<u>257,218</u>	<u>233,243</u>
With donor restrictions:		
Restricted by purpose or time	118,200	144,182
Restricted in perpetuity	<u>1,000</u>	<u>1,000</u>
Total net assets with donor restrictions	<u>119,200</u>	<u>145,182</u>
Total net assets	<u>376,418</u>	<u>378,425</u>
<b>Total liabilities and net assets</b>	<u>\$ 397,205</u>	<u>\$ 402,336</u>

The accompanying notes are an integral part of these statements.

FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<b>Support</b>			
Donations	\$ 376,575	\$ 113,009	\$ 489,584
Bequests	<u>5,638</u>	<u>-</u>	<u>5,638</u>
Total support	<u>382,213</u>	<u>113,009</u>	<u>495,222</u>
<b>Other revenue</b>			
Investment revenue	1,917	585	2,502
Miscellaneous	59	-	59
Loss on asset disposal	<u>(548)</u>	<u>-</u>	<u>(548)</u>
Total other revenue	<u>1,428</u>	<u>585</u>	<u>2,013</u>
Total support and other revenue	383,641	113,594	497,235
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions	<u>139,576</u>	<u>(139,576)</u>	<u>-</u>
Total support and revenue	<u>523,217</u>	<u>(25,982)</u>	<u>497,235</u>
<b>Expenses</b>			
Program services:			
Forest protection and whistleblowing	207,287	-	207,287
Membership services	111,888	-	111,888
Education	<u>47,777</u>	<u>-</u>	<u>47,777</u>
Total program services	<u>366,952</u>	<u>-</u>	<u>366,952</u>
Support services:			
General and administrative	88,804	-	88,804
Fundraising	<u>43,486</u>	<u>-</u>	<u>43,486</u>
Total support services	<u>132,290</u>	<u>-</u>	<u>132,290</u>
Total expenses	<u>499,242</u>	<u>-</u>	<u>499,242</u>
<b>Change in net assets</b>	23,975	(25,982)	(2,007)
Net assets, beginning of year	<u>233,243</u>	<u>145,182</u>	<u>378,425</u>
Net assets, end of year	<u>\$ 257,218</u>	<u>\$ 119,200</u>	<u>\$ 376,418</u>

The accompanying notes are an integral part of these statements.



FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<b>Support</b>			
Donations	\$ 381,477	\$ 121,323	\$ 502,800
Bequests	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total support	<u>396,477</u>	<u>121,323</u>	<u>517,800</u>
<b>Other revenue</b>			
Investment revenue	672	328	1,000
Miscellaneous	55	-	55
Loss on asset disposal	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>727</u>	<u>328</u>	<u>1,055</u>
Total support and other revenue	397,204	121,651	518,855
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions	<u>133,193</u>	<u>(133,193)</u>	<u>-</u>
Total support and revenue	<u>530,397</u>	<u>(11,542)</u>	<u>518,855</u>
<b>Expenses</b>			
Program services:			
Forest protection and whistleblowing	196,270	-	196,270
Membership services	183,509	-	183,509
Education	<u>68,379</u>	<u>-</u>	<u>68,379</u>
Total program services	<u>448,158</u>	<u>-</u>	<u>448,158</u>
Support services:			
General and administrative	91,079	-	91,079
Fundraising	<u>51,253</u>	<u>-</u>	<u>51,253</u>
Total support services	<u>142,332</u>	<u>-</u>	<u>142,332</u>
Total expenses	<u>590,490</u>	<u>-</u>	<u>590,490</u>
<b>Change in net assets</b>	(60,093)	(11,542)	(71,635)
Net assets, beginning of year	<u>293,336</u>	<u>156,724</u>	<u>450,060</u>
Net assets, end of year	<u>\$ 233,243</u>	<u>\$ 145,182</u>	<u>\$ 378,425</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, 2018

	Forest Protection and Whistleblowing	Membership Services	Education	Total Program Services	General and Administrative	Fundraising	Total
Wages	\$ 129,240	\$ 28,875	\$ 24,887	\$ 183,002	\$ 49,619	\$ 13,477	\$ 246,098
Payroll taxes	10,935	2,223	2,043	15,201	4,209	900	20,310
Employee benefits	29,236	9,816	2,104	41,156	14,335	3,292	58,783
Professional services	8,020	297	-	8,317	9,195	-	17,512
Depreciation	207	111	48	366	88	43	497
Fees and licenses	816	5,284	-	6,100	3,123	-	9,223
Insurance	1,088	587	251	1,926	466	228	2,620
Mailing	1,309	32,867	5,423	39,599	401	9,684	49,684
Maintenance	855	462	197	1,514	366	179	2,059
Meetings	4,862	39	-	4,901	-	-	4,901
Printing and production	678	23,550	8,277	32,505	62	12,631	45,198
Rent and utilities	11,525	6,221	2,656	20,402	4,938	2,418	27,758
Supplies	4,749	210	127	5,086	933	111	6,130
Telephone	2,495	1,346	575	4,416	1,069	523	6,008
Training and education	29	-	-	29	-	-	29
Travel	1,243	-	-	1,243	-	-	1,243
Bad debt expense	-	-	1,189	1,189	-	-	1,189
<b>Total functional expenses</b>	<b>\$ 207,287</b>	<b>\$ 111,888</b>	<b>\$ 47,777</b>	<b>\$ 366,952</b>	<b>\$ 88,804</b>	<b>\$ 43,486</b>	<b>\$ 499,242</b>

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	General and Administrative	Fundraising	Total
Wages	\$ 131,173	\$ 29,559	\$ 37,124	\$ 197,856	\$ 52,841	\$ 19,042	\$ 269,739
Payroll taxes	11,076	2,608	3,122	16,806	4,538	2,039	23,383
Employee benefits	26,212	8,417	6,082	40,711	12,462	5,327	58,500
Professional services	2,900	2,113	4,400	9,413	8,910	196	18,519
Depreciation	220	206	77	503	102	57	662
Fees and licenses	1,373	4,822	-	6,195	3,411	-	9,606
Insurance	922	862	321	2,105	428	241	2,774
Mailing/shipping	2,572	66,211	4,286	73,069	442	9,531	83,042
Maintenance and garbage	869	812	303	1,984	403	227	2,614
Meetings	1,908	-	-	1,908	1,032	-	2,940
Printing and production	1,311	57,468	8,662	67,441	256	11,631	79,328
Promotional expenses	-	-	63	63	-	-	63
Rent and utilities	8,942	8,361	3,115	20,418	4,150	2,335	26,903
Supplies and subscriptions	4,252	321	56	4,629	984	26	5,639
Telephone	1,869	1,747	651	4,267	868	488	5,623
Travel	671	2	117	790	252	113	1,155
<b>Total functional expenses</b>	<b>\$ 196,270</b>	<b>\$ 183,509</b>	<b>\$ 68,379</b>	<b>\$ 448,158</b>	<b>\$ 91,079</b>	<b>\$ 51,253</b>	<b>\$ 590,490</b>

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, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (2,007)	\$ (71,635)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	497	662
Loss on asset disposal	548	-
(Increase) decrease in operating assets:		
Accounts receivable	7,854	(5,080)
Bequest receivable	15,000	(15,000)
Prepaid expenses	(3,909)	(6,588)
Deposits	85	(30)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(754)	(7,330)
Accrued payroll taxes and withholdings	(1,467)	331
Accrued vacation payable	(903)	(3,379)
	<u>14,944</u>	<u>(108,049)</u>
<b>Cash flows from investing activities</b>		
Deposit to endowment fund investment	(1)	(1)
Net withdrawals from (deposits to) restricted litigation fund	(490)	63,186
	<u>(491)</u>	<u>63,185</u>
<b>Increase (decrease) in cash and cash equivalents</b>	14,453	(44,864)
Cash and cash equivalents, beginning of year	<u>303,831</u>	<u>348,695</u>
Cash and cash equivalents, end of year	<u>\$ 318,284</u>	<u>\$ 303,831</u>
<b>Supplemental disclosure of noncash transactions</b>		
Donation of stock	<u>\$ 18,469</u>	<u>\$ 9,110</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 net assets without donor restrictions and net assets with donor restrictions.

Revenues are reported as increase in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**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.

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

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

**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.

**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 net assets with donor restrictions 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.

**Accounts Receivable**

At December 31, 2018 and 2017, accounts receivable consisted of unpaid amounts due to FSEEE of \$18,127 and \$24,751, respectively. The allowance for doubtful accounts had a balance at December 31, 2018 and 2017 of \$1,189 and \$-0-, respectively.

**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.

**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 \$18,469 and \$9,110 were recorded as unrestricted contributions during the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

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

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

**Recent Accounting Standard Adopted**

During the year ended December 31, 2018, FSEEE adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. The standard was applied on a retrospective basis. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

The 2017 financial statements have been restated to conform to the presentation and disclosure requirements of ASU 2016-14.

**Liquidity and Availability of Resources**

FSEEE receives over 99 percent of its support from individual donors. More than 77 percent of that is unrestricted, with the remaining contributions earmarked by donors for specific programs. The policy set by the Board of Directors is to have all of FSEEE's cash assets available at all times.

At December 31, 2018 and 2017, FSEEE's financial assets available for general expenditures within one year, are comprised of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 318,284	\$ 303,831
Accounts receivable, net	16,938	24,791
Bequest receivable	<u>-</u>	<u>15,000</u>
Financial assets available for general expenditure	<u>\$ 335,222</u>	<u>\$ 343,622</u>

**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 July thereafter. Rental expense for operating leases for the years ended December 31, 2018 and 2017, was \$21,612 and \$21,090 respectively.

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

<u>For the Year Ending December 31,</u>		
2019		\$ 22,155
2020		<u>11,214</u>
		<u>\$ 33,369</u>

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

**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, 2018 and 2017, there were no amounts uninsured by the FDIC.

**5. Accrued Vacation Payable**

Vacation pay is charged to expense when earned. At December 31, 2018 and 2017, accrued vacation payable was \$19,752 and \$20,655, respectively.

**6. Net Assets With Donor Restrictions**

At December 31, net assets with donor restrictions were available for the following purposes or periods:

	2018	2017
Appeal donations available for subsequent years	\$ 80,141	\$ 103,887
Restricted litigation fund	38,059	38,740
Grants available for subsequent years' activities	-	1,555
Perpetual endowment	1,000	1,000
Total net assets with donor restrictions	\$ 119,200	\$ 145,182

At December 31, 2018 and 2017, net assets with donor restrictions includes an endowment fund that was established December 24, 2004 in the amount of \$1,000. The income from the endowment fund assets can be used to support FSEEE's general activities.

**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, 2018 and 2017, it was determined FSEEE would provide a matching contribution to employees. The total contribution for the years ended December 31, 2018 and 2017, was \$12,350 and \$13,656, 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.