GREAT RIVERS ENVIRONMENTAL LAW CENTER

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

GREAT RIVERS ENVIRONMENTAL LAW CENTER

ST. LOUIS, MISSOURI

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Great Rivers Environmental Law Center

We have audited the accompanying financial statements of Great Rivers Environmental Law Center (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 from 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 in the first paragraph present fairly, in all material respects, the financial position of Great Rivers Environmental Law Center as of December 31, 2018, and the change 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2018 the Organization adopted new accounting guidance, ASU No. 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Botz, Deal & Company

St. Charles, Missouri
July 19, 2019

GREAT RIVERS ENVIRONMENTAL LAW CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

CURRENT ASSETS		
Cash	$	426,752
Cash - restricted		1,395
Accounts receivable		2,333
Pledges receivable		1,000
Prepaid expenses		5,984
TOTAL CURRENT ASSETS		437,464
FIXED ASSETS		
Equipment		9,815
Less: accumulated depreciation		7,286
NET FIXED ASSETS		2,529
TOTAL ASSETS	$	439,993

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	3,298
Accrued expenses:		
Retirement plan		16,372
Vacations		13,499
TOTAL CURRENT LIABILITIES		33,169
NET ASSETS		
Without donor restrictions:		
Undesignated		217,754
Board designated - operating reserves		43,994
With donor restrictions		145,076
TOTAL NET ASSETS		406,824
TOTAL LIABILITIES AND NET ASSETS	$	439,993

The accompanying notes are an integral part of these financial statements.

GREAT RIVERS ENVIRONMENTAL LAW CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS AND SUPPORT			
Grant revenue	$ 24,500	$ 29,250	$ 53,750
Contributions	251,929	-	251,929
Special events	41,865	-	41,865
Less: direct benefit to donors	(15,721)	-	(15,721)
Net income from special events	26,144	-	26,144
Fees from clients	4,845	3,585	8,430
Sales of merchandise	517	-	517
Less: cost of sales	(482)	-	(482)
Net income from sales	35	-	35
Interest	427	-	427
Loss on sale of investments	(1,414)	-	(1,414)
Net assets released from restriction:			
Time restriction	2,667	(2,667)	-
Purpose restriction	18,707	(18,707)	-
TOTAL REVENUES, GAINS AND SUPPORT	327,840	11,461	339,301
EXPENSES			
Program	247,215	-	247,215
Management and general	16,575	-	16,575
Fundraising	79,964	-	79,964
TOTAL EXPENSES	343,754	-	343,754
CHANGE IN NET ASSETS	(15,914)	11,461	(4,453)
NET ASSETS - BEGINNING OF YEAR	277,662	133,615	411,277
NET ASSETS - END OF YEAR	$ 261,748	$ 145,076	$ 406,824

The accompanying notes are an integral part of these financial statements.

GREAT RIVERS ENVIRONMENTAL LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	PROGRAM	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL
Salaries	$ 171,636	$ 11,394	$ 40,819	$ 223,849
Payroll taxes	13,933	905	3,257	18,095
Accounting	1,202	78	281	1,561
Case-related costs	1,550	-	-	1,550
Continuing education	1,208	-	40	1,248
Depreciation	902	59	211	1,172
Dues and memberships	3,521	-	1,675	5,196
Equipment rental/maintenance	510	34	118	662
Information technology	1,171	77	2,468	3,716
Insurance:				
Directors and officers liability	-	547	-	547
Professional liability	1,608	-	-	1,608
Property and liability	749	49	175	973
Workers compensation	788	51	185	1,024
Meetings	725	751	356	1,832
Mileage reimbursements	376	-	205	581
Miscellaneous	830	25	418	1,273
Office supplies	1,588	103	451	2,142
Payroll processing	742	48	174	964
Postage	671	41	1,572	2,284
Printing and copying	973	24	8,941	9,938
Reference materials	619	-	-	619
Rent	20,065	1,303	4,691	26,059
Retirement plan contributions	12,145	988	3,239	16,372
Special events	-	-	25,918	25,918
Subscriptions	6,444	-	-	6,444
Telephone	1,511	98	353	1,962
Travel	1,748	-	138	1,886
TOTAL	247,215	16,575	95,685	359,475
Less direct benefit to donors expenses netted against revenues on the statement of activities:	-	-	(15,721)	(15,721)
Total included in expenses on statement of activities	$ 247,215	$ 16,575	$ 79,964	$ 343,754

The accompanying notes are an integral part of these financial statements.

GREAT RIVERS ENVIRONMENTAL LAW CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Public support and donations received	$	309,058
Cash paid to suppliers		(357,892)
Miscellaneous income		35
Interest received		427
NET CASH USED BY OPERATING ACTIVITIES		(48,372)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		99,925
NET INCREASE IN CASH AND RESTRICTED CASH		51,553
CASH AND RESTRICTED CASH - BEGINNING OF YEAR		376,594
CASH AND RESTRICTED CASH - END OF YEAR	$	428,147
Cash - Restricted		1,395
Cash - Unrestricted		426,752
TOTAL CASH AND RESTRICTED CASH	$	428,147

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES

CHANGE IN NET ASSETS	$ (4,453)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:	
Stock donations	(51,288)
Depreciation	1,172
Loss on sale of investments	1,414
(Increase) decrease in assets:	
Accounts receivable	1,705
Pledges receivable	2,667
Prepaid expenses	663
Increase (decrease) in liabilities:	
Accounts payable	2,068
Accrued retirement plan	4,503
Accrued vacations	(6,823)
TOTAL ADJUSTMENTS	(43,919)
NET CASH USED BY OPERATING ACTIVITIES	$ (48,372)

The accompanying notes are an integral part of these financial statements.

1. **DESCRIPTION OF OPERATIONS**

Great Rivers Environmental Law Center (the Organization) is a 501(c)(3) not-for-profit law firm whose mission is to provide free and reduced-fee public interest legal services to those who seek to protect the environment and have nowhere else to turn for support and guidance. It exists to help individuals, organizations and citizens' groups protect the public health and promote a sustainable use of natural resources. Efforts are led by a dedicated staff of attorneys with extensive experience in environmental law and litigation. It is supported by a 17-member board of directors with considerable expertise in environmental issues.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of FASB Accounting Standards Not-For-Profit Entities.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition - Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest in received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

Donated Services and In-Kind Contributions - Volunteers contribute time to our program services and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Concentration of Revenue - For the year ended December 31, 2018, approximately 45% of the Organization's revenues was received from two donors.

Pledges Receivable - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Concentration of Cash - The Organization maintains its cash in accounts at two commercial banks and one brokerage firm. As of December 31, 2018, all balances were insured by the FDIC and SIPC.

Restricted Cash - The Organization maintains a separate non-interest bearing cash account to hold case costs paid in advance by clients. A client deposit of $1,395 was held at December 31, 2018.

Investments - The Organization carries investments in marketable securities with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Fixed Assets - Fixed assets are recorded at cost or fair market value at time of donation and depreciated over estimated useful lives as follows:

Major Group	Method	Life
Equipment	Straight-line	3 - 5 years

Acquisitions of property and equipment costing $1,500 or more and a useful life of more than one year are capitalized. Depreciation expense for the year ended December 31, 2018, was $1,172.

Statement of Cash Flows - For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

Income Taxes - The United States Treasury Department has advised that the Organization constitutes a qualified non-profit organization and is, therefore, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation.

Functional Allocation of Expenses - The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Change in Accounting Principle - On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

3. **LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	$	428,147
Accounts and pledges receivable		3,333
Less: donor-imposed restrictions		
Purpose		(94,076)
Time		(16,000)
Operating reserve		(35,000)
Less: board designations		
Operating reserve		(43,994)
TOTAL	$	242,410

The pledge receivable is subject to implied time restrictions but is expected to be collected within one year. Management has a goal to maintain financial assets of cash on hand to meet three months of normal operating expenses and liabilities, which are, on average, approximately $83,500. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board designated operating reserve of $43,994 and the donor-imposed operating reserve of $35,000 could be made available if necessary.

4. **PLEDGES RECEIVABLE**

Generally accepted accounting principles require pledges receivable to be reported at net present value. The difference between future cash flows and net present value is not significant. Management does not deem it necessary to record an allowance for uncollectible pledges. At December 31, 2018, all pledges receivable are due from one donor.

5. **NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets are restricted for the following purposes or periods as of December 31, 2018:

Donor specified case expenses	$	94,076
Time restrictions		16,000
Operating reserves		35,000
TOTAL RESTRICTED NET ASSETS	$	145,076

6. **GOVERNING BOARD DESIGNATIONS**

The Organization’s governing board has designated $43,994 for operating reserves from total net assets without donor restrictions of $261,748 as of December 31, 2018.

7. **RETIREMENT PLAN**

The Organization has a retirement plan that provides for an employer contribution of 8% of an eligible employee’s compensation. Retirement plan contributions for the year ended December 31, 2018 were $16,372.

8. **INCOME TAX**

FASB Accounting Standards Codification Topic 740, Income Taxes, provides for the recognition of tax benefits related to uncertain tax positions. For the year ended December 31, 2018, management believes there are no uncertain tax positions. The Organization files form 990 Return of Organization Exempt From Income Tax. Returns prior to 2015 are closed.

9. **INVESTMENTS**

The Organization has a policy to sell donated stock as soon as possible. There were no securities held at December 31, 2018.

10. **OPERATING LEASE**

The Organization has a multi-year lease for its office space. The lease term is for five years beginning July 1, 2014. The lease for the five years beginning July 1, 2019 has been negotiated and is included in the future payments below. Future payments under this lease are as follows:

2019	$	25,709
2020		25,980
2021		25,980
2022		26,520
2023		27,060
Thereafter		13,530
TOTAL	$	144,779

Total rental expense was $26,059 for the year ended December 31, 2018.

11. **SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

12. **RECENT ACCOUNTING PRONOUNCEMENTS**

The effect on the Organization's financial statements of the following statements issued, but not yet adopted, has not yet been determined.

ASU 2016-02, *Leases* - implementation will result in the recognition of the assets and liabilities that arise from a lease. The new standard is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operation, and cash flows.