

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012**

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public Employees for Environmental Responsibility, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Public Employees for Environmental Responsibility, Inc. (PEER), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and change in net assets, 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.

Auditor's 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 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 PEER as of September 30, 2013, 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.

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Report on Summarized Comparative Information

We have previously audited PEER's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

January 14, 2014

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 243,710	\$ 272,599
Accounts receivable	1,431	1,200
Grants receivable (Note 2)	150,000	-
Prepaid expenses	<u>17,760</u>	<u>15,377</u>
Total current assets	<u>412,901</u>	<u>289,176</u>
FIXED ASSETS		
Furniture and equipment	28,305	32,424
Less: Accumulated depreciation	<u>(27,688)</u>	<u>(29,932)</u>
Net fixed assets	<u>617</u>	<u>2,492</u>
NON-CURRENT ASSETS		
Grants receivable, net of current portion (Note 2)	15,000	-
Beneficial interest in donor restricted fund (Notes 6 and 7)	102,639	100,127
Security deposit	<u>7,140</u>	<u>7,140</u>
Total non-current assets	<u>124,779</u>	<u>107,267</u>
TOTAL ASSETS	<u>\$ 538,297</u>	<u>\$ 398,935</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 45,319	\$ 47,936
Amounts held for other non-profit organization	9,273	7,807
Current portion of deferred rent abatement (Note 5)	<u>2,882</u>	<u>969</u>
Total current liabilities	<u>57,474</u>	<u>56,712</u>
LONG-TERM LIABILITIES		
Deferred rent abatement (Note 5)	<u>10,668</u>	<u>13,684</u>
Total liabilities	<u>68,142</u>	<u>70,396</u>
NET ASSETS		
Unrestricted	(15,291)	(138,678)
Temporarily restricted (Note 3)	<u>485,446</u>	<u>467,217</u>
Total net assets	<u>470,155</u>	<u>328,539</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 538,297</u>	<u>\$ 398,935</u>

See accompanying notes to financial statements.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	<u>2013</u>			<u>2012</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions	\$ 182,767	\$ -	\$ 182,767	\$ 137,659
Foundation grants	166,050	528,500	694,550	562,535
Interests and dividends	770	397	1,167	2,431
Rental income	8,426	-	8,426	339
Other revenue	3,349	-	3,349	23,090
Court awards	95,915	29,065	124,980	222,375
Net assets released from donor restrictions (Note 4)	<u>539,733</u>	<u>(539,733)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>997,010</u>	<u>18,229</u>	<u>1,015,239</u>	<u>948,429</u>
EXPENSES				
Program Services:				
Field Operations	275,144	-	275,144	453,856
Membership and Outreach	98,260	-	98,260	112,797
Legal	195,266	-	195,266	215,731
Resource Protection	<u>248,940</u>	<u>-</u>	<u>248,940</u>	<u>255,649</u>
Total program services	<u>817,610</u>	<u>-</u>	<u>817,610</u>	<u>1,038,033</u>
Supporting Services:				
Management and General	47,973	-	47,973	82,874
Fundraising	<u>8,040</u>	<u>-</u>	<u>8,040</u>	<u>2,257</u>
Total supporting services	<u>56,013</u>	<u>-</u>	<u>56,013</u>	<u>85,131</u>
Total expenses	<u>873,623</u>	<u>-</u>	<u>873,623</u>	<u>1,123,164</u>
Change in net assets	123,387	18,229	141,616	(174,735)
Net assets at beginning of year	<u>(138,678)</u>	<u>467,217</u>	<u>328,539</u>	<u>503,274</u>
NET ASSETS AT END OF YEAR	<u>\$ (15,291)</u>	<u>\$ 485,446</u>	<u>\$ 470,155</u>	<u>\$ 328,539</u>

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013				
	Program Services				
	Field Operations	Membership and Outreach	Legal	Resource Protection	Total Program Services
Salaries, employee benefits and payroll taxes	\$ 56,071	\$ 38,120	\$ 98,744	\$ 159,681	\$ 352,616
Printing and production	20	8,328	153	-	8,501
Professional fees	164,628	12,523	45,001	32,756	254,908
Occupancy (Note 5)	13,747	10,936	28,544	46,008	99,235
Insurance	-	-	1,807	-	1,807
Depreciation	-	-	-	-	-
Telephone	5,251	570	1,636	2,350	9,807
Travel and entertainment	8,006	14	243	77	8,340
Postage and delivery	351	13,886	396	55	14,688
Equipment rental, repairs and maintenance	927	737	1,924	3,101	6,689
Supplies	686	399	1,041	2,628	4,754
Subscriptions and publications	-	6,020	11,121	2	17,143
Meetings and conventions	880	-	-	-	880
Grants	24,240	-	-	-	24,240
Registrations, fees and licenses	269	6,716	3,065	2,282	12,332
Other expenses	68	11	1,591	-	1,670
TOTAL	\$ 275,144	\$ 98,260	\$ 195,266	\$ 248,940	\$ 817,610

					2012
Supporting Services					
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 15,126	\$ 5,390	\$ 20,516	\$ 373,132	\$ 426,592	
411	-	411	8,912	21,886	
16,520	216	16,736	271,644	448,159	
7,708	1,547	9,255	108,490	105,217	
3,262	-	3,262	5,069	4,259	
1,875	-	1,875	1,875	6,582	
377	80	457	10,264	18,672	
-	324	324	8,664	12,347	
1,515	-	1,515	16,203	15,717	
520	104	624	7,313	6,575	
281	56	337	5,091	2,829	
-	295	295	17,438	6,281	
-	-	-	880	119	
-	-	-	24,240	18,575	
358	28	386	12,718	28,973	
20	-	20	1,690	381	
\$ 47,973	\$ 8,040	\$ 56,013	\$ 873,623	\$ 1,123,164	

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 141,616	\$ (174,735)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,875	6,582
Deferred rent abatement	(1,103)	(3,005)
(Increase) decrease in:		
Accounts receivable	(231)	(1,200)
Grants receivable	(165,000)	62,500
Prepaid expenses	(2,383)	(552)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(2,617)	(3,995)
Amounts held for other non-profit organization	<u>1,466</u>	<u>(10,662)</u>
Net cash used by operating activities	<u>(26,377)</u>	<u>(125,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	-	(1,098)
Net purchase of investments	<u>(2,512)</u>	<u>(100,127)</u>
Net cash used by investing activities	<u>(2,512)</u>	<u>(101,225)</u>
Net decrease in cash and cash equivalents	(28,889)	(226,292)
Cash and cash equivalents at beginning of year	<u>272,599</u>	<u>498,891</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 243,710</u>	<u>\$ 272,599</u>

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Public Employees for Environmental Responsibility, Inc. (PEER) is a non-profit organization, incorporated and located in Washington, D.C. The purposes of PEER are to educate the public and employees of government resource management and environmental protection agencies nationwide about environmental ethics, to assist those who speak out on behalf of environmental ethics, and to protect the integrity of individual employees and scientists within the government who dissent for ethical reasons. PEER activities are funded primarily through public contributions and grants.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with PEER's financial statements for the year ended September 30, 2012, from which the summarized information was derived.

Cash and cash equivalents -

PEER considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year PEER maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Fixed assets -

Fixed assets costing \$500 or more are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Grants receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Income taxes -

PEER is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. PEER is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 2013, PEER has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Uncertain tax positions (continued) -

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of PEER and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of PEER and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and foundation grants -

Contributions and foundation grants are recorded as revenue in the year notification is received from the donor. Contributions and foundation grants are recognized as unrestricted support only to the extent of actual temporarily restricted expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and foundation grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Court awards, which PEER receives as a result of litigation related to its mission, are recorded when the court awards the amount to PEER.

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 and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

PEER has a beneficial interest in donor restricted fund that is held in a money market account. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Fair value measurement -

PEER adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. PEER accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's summarized financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. GRANTS RECEIVABLE

As of September 30, 2013, contributors to PEER have made written promises to give totaling \$165,000. Grants due in more than one year have been recorded at the present value of the estimated cash flows.

Grants are due as follows at September 30, 2013:

Less than one year	\$ 150,000
One to five years	<u>15,000</u>
GRANTS RECEIVABLE	<u>\$ 165,000</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2013:

Field operations	\$ 300,191
Membership and outreach	2,000
Legal	102,639
Resource protection	<u>80,616</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 485,446</u>

4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Field operations	\$ 135,110
Legal	48,722
Resource protection	<u>355,901</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 539,733</u>

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

5. LEASE COMMITMENT

In July 2005, PEER entered into a lease for office space, which began in January 2006 and was scheduled to run through January 31, 2016. Effective February 1, 2007, monthly payments of \$7,362 are adjusted annually using the Consumer Price Index, with a maximum annual increase of 4%.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statement of Financial Position.

Future minimum lease payments required under the lease agreements are as follows:

Year Ending September 30,

2014	\$ 113,378
2015	117,913
2016	<u>39,686</u>
	<u>\$ 270,977</u>

Occupancy expense totaled \$108,490 for the year ended September 30, 2013. The deferred rent liability was \$13,550 for the year ended September 30, 2013.

6. INTEREST IN DONOR - RESTRICTED FUND

PEER's beneficial interest in a restricted account held by another not-for-profit organization is recognized as an asset, in accordance with subsections of FASB ASC 958-605, *Transfer to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*.

Another not-for-profit organization has legal control over the account. However, upon written notification, PEER may request distributions in accordance with the agreement. The distributions will support litigation costs or provide stipends for law school graduates. The agreement also calls for PEER to reimburse the account from amounts recovered through the courts, and PEER may elect to contribute additional amounts to the fund.

PEER may request that all assets of the fund be distributed to it or to a not-for-profit organization of its choice if circumstances change that impair the ability of PEER to use the funds for their intended purpose. Amounts in the fund are currently held in a money market account and are recorded at their fair market value at September 30, 2013.

7. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, PEER has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

7. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market PEER has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2013.

- *Money market funds* - The fair value is equal to the reported net asset value of the fund.

The table below summarizes, by level within the fair value hierarchy, PEER's investments as of September 30, 2013:

Asset Class:	Level 1	Level 2	Level 3	Total September 30, 2013
Money Market Funds	\$ 102,639	\$ -	\$ -	\$ 102,639

8. SUBSEQUENT EVENTS

In preparing these financial statements, PEER has evaluated events and transactions for potential recognition or disclosure through January 14, 2014, the date the financial statements were issued.