

**PUBLIC EMPLOYEES FOR ENVIRONMENTAL  
RESPONSIBILITY, INC.**

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

DUNHAM, AUKAMP & RHODES, PLC  
Certified Public Accountants  
Chantilly, Virginia

**PUBLIC EMPLOYEES FOR ENVIRNOMENTAL  
RESPONSIBILITY, INC.**

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**Dunham, Aukamp & Rhodes, PLC**  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Public Employees for Environmental Responsibility, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements 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.

**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 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 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 Public Employees for Environmental Responsibility, Inc. as of September 30, 2014, and the changes 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.

## **Report on Summarized Comparative Information**

The September 30, 2013 financial statements of Public Employees for Environmental Responsibility, Inc. were audited by other auditors. Their report dated January 14, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants  
Chantilly, Virginia

February 2, 2015

**PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.**

**STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

<b>ASSETS</b>		
	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 477,331	\$ 243,710
Grants receivable	15,000	150,000
Accounts receivable	8,252	1,431
Prepaid expenses	17,404	17,760
Total Current Assets	<u>517,987</u>	<u>412,901</u>
Property and Equipment		
Furniture and equipment	21,369	28,305
Less: Accumulated depreciation	<u>(17,008)</u>	<u>(27,688)</u>
Net Property and Equipment	<u>4,361</u>	<u>617</u>
Non-Current Assets		
Grants receivable, net of current portion	-	15,000
Beneficial interest in donor restricted fund	86,823	102,639
Security deposit	7,140	7,140
Total Non-Current Assets	<u>93,963</u>	<u>124,779</u>
Total Assets	<u>\$ 616,311</u>	<u>\$ 538,297</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts payable and accrued liabilities	\$ 41,911	\$ 45,319
Amounts held for other non-profit organizations	63,823	9,273
Current portion of deferred rent abatement	7,492	2,882
Total Current Liabilities	<u>113,226</u>	<u>57,474</u>
Long-Term Liabilities		
Deferred rent abatement	<u>3,297</u>	<u>10,668</u>
Total Liabilities	<u>116,523</u>	<u>68,142</u>
Net Assets		
Unrestricted	(37,798)	(15,291)
Temporarily restricted	537,586	485,446
Total Net Assets	<u>499,788</u>	<u>470,155</u>
Total Liabilities and Net Assets	<u>\$ 616,311</u>	<u>\$ 538,297</u>

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

**PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>Revenues and Support:</b>				
Foundation grants	\$ 79,605	\$ 463,795	\$ 543,400	\$ 694,550
Contributions	269,503	-	269,503	182,767
Court awards	92,969	-	92,969	124,980
Rental income	10,495	-	10,495	8,426
Other revenue	9,585	-	9,585	3,349
Interest and dividends	1,246	-	1,246	1,167
Net assets released from restrictions	411,655	(411,655)	-	-
<b>Total Revenues and Support</b>	<b>875,058</b>	<b>52,140</b>	<b>927,198</b>	<b>1,015,239</b>
<b>Expenses</b>				
<b>Program Services</b>				
Field operations	245,279	-	245,279	275,144
Resource protection	207,582	-	207,582	248,940
Legal	188,286	-	188,286	195,266
Membership and outreach	88,282	-	88,282	98,260
Scientist protection/education	75,023	-	75,023	-
<b>Supporting Services</b>				
Management and general	73,588	-	73,588	47,973
Fundraising	19,525	-	19,525	8,040
<b>Total Expenses</b>	<b>897,565</b>	<b>-</b>	<b>897,565</b>	<b>873,623</b>
<b>Change in Net Assets</b>	<b>(22,507)</b>	<b>52,140</b>	<b>29,633</b>	<b>141,616</b>
<b>Net Assets at Beginning of Year</b>	<b>(15,291)</b>	<b>485,446</b>	<b>470,155</b>	<b>328,539</b>
<b>Net Assets at End of Year</b>	<b>\$ (37,798)</b>	<b>\$ 537,586</b>	<b>\$ 499,788</b>	<b>\$ 470,155</b>

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

**PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014										2013
	Program Services					Supporting Services					Total Expenses
	Field Operations	Resource Protection	Legal	Membership and Outreach	Scientist/ Education	Total Program	Management and General	Fundraising	Total Expenses	Total Expenses	
Salaries and wages	\$ 16,265	\$ 106,875	\$ 79,116	\$ 33,603	\$ 38,433	\$ 274,292	\$ 33,042	\$ 9,229	\$ 316,563	\$ 321,132	
Contract and professional fees	198,120	32,383	45,847	5,432	14,096	295,878	16,215	683	312,776	271,644	
Occupancy	5,869	38,561	28,543	12,125	13,867	98,965	9,161	3,331	111,457	108,490	
Payroll taxes and employee benefits	2,746	17,874	14,753	5,781	6,484	47,638	5,795	1,589	55,022	51,607	
Subscriptions and publications	775	1,870	9,081	9,669	-	21,395	270	295	21,960	17,438	
Postage and delivery	2,062	762	176	10,307	44	13,351	(60)	3,580	16,871	16,203	
Travel	13,166	2,900	60	20	-	16,146	16	-	16,162	21,382	
Printing and production	63	608	186	7,191	-	8,048	774	338	9,160	8,912	
Telephone	3,964	1,797	1,409	517	684	8,371	501	140	9,012	10,264	
Other expenses	761	-	4,806	2,400	-	7,967	-	-	7,967	1,690	
Supplies	989	2,113	1,555	659	754	6,070	1,108	181	7,359	5,091	
Technology	499	1,839	1,361	578	661	4,938	569	159	5,666	7,313	
Insurance	-	-	1,393	-	-	1,393	3,505	-	4,898	5,069	
Depreciation	-	-	-	-	-	-	2,692	-	2,692	1,875	
Meetings and conventions	-	-	-	-	-	-	-	-	-	880	
Grants	-	-	-	-	-	-	-	-	-	24,240	
<b>Total Expenses</b>	<b>\$ 245,279</b>	<b>\$ 207,582</b>	<b>\$ 188,286</b>	<b>\$ 88,282</b>	<b>\$ 75,023</b>	<b>\$ 804,452</b>	<b>\$ 73,588</b>	<b>\$ 19,525</b>	<b>\$ 897,565</b>	<b>\$ 873,230</b>	

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

**PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.**

**STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 29,633	\$ 141,616
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,692	1,875
Decrease (Increase) in grants receivable	150,000	(165,000)
Increase in accounts receivable	(6,821)	(231)
Decrease (Increase) in prepaid expenses	356	(2,383)
Decrease in account payable and accrued liabilities	(3,408)	(2,617)
Increase in amounts held for other non-profit organization	54,550	1,466
Decrease in deferred rent abatement	(2,761)	(1,103)
	<u>224,241</u>	<u>(26,377)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of furniture and equipment	(6,436)	-
Net investment activities	<u>15,816</u>	<u>(2,512)</u>
Net cash provided by (used by) investing activities	9,380	(2,512)
Change in cash and cash equivalents	233,621	(28,889)
Cash and cash equivalents, beginning of year	<u>243,710</u>	<u>272,599</u>
Cash and cash equivalents, end of year	<u>\$ 477,331</u>	<u>\$ 243,710</u>

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



# PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – Organization and Summary of Significant Accounting Policies

The Public Employees for Environmental Responsibility, Inc. (PEER) educates the public and employees of government resource management and environmental protection agencies nationwide about environmental ethic, to assist those who speak out on behalf of environmental ethic, and to protect the integrity of individual employees and scientists within the government who dissent for ethical reasons.

PEER relies on grant funding and individual donations to support its activities and received grants and strong support from individuals during the year ended September 30, 2014.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

**(a) Basis of Accounting** – PEER’s policy is to prepare its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, support and revenue are recognized when earned and expenses are recognized when incurred.

**(b) Presentation of Financial Statements** – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of PEER and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

**(c) Support and Revenues** – Support and revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Contributions on which donor-imposed stipulations are met within the year the contributions are made are reported as unrestricted revenue. Expenses are reported as increases or decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**(d) Cash and Cash Equivalents** – For purposes of the statement of cash flows PEER considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash consists of a checking account and a money market account.

**(e) Accounts Receivable** – PEER estimates that all accounts receivable are fully collectible, therefore no allowance for uncollectible receivables has been established. Accounts receivable are considered past due if payments are not received within 30 days of the invoice date. Management periodically reviews accounts receivable to evaluate collectability. Bad debt expense for the year ended September 30, 2014 was \$-0-.

# PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

(f) **Property and Equipment** – Furniture and equipment are stated at cost for all assets with an initial cost exceeding \$1,000. For financial reporting purposes, depreciation is calculated using a straight-line method which is equivalent to the Alternation Depreciation System (ADS) and which is required of exempt organizations for reporting purposes under Internal Revenue Code Sec 168(g)(1) for assets placed in service after 1986. PEER employs asset lives of three to five years on its existing furniture and equipment. Expenditures for maintenance and repairs are charged against income as incurred; betterments that increase the value or materially extend the life of the related assets are capitalized.

(g) **Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(h) **Functional Allocation of Expenses** – All salaries and related expenses, contributed services and facilities, and other expenses, they have been allocated between program, general and administrative and fundraising functions based on level of effort.

(i) **Concentration of Credit Risk** – Financial instruments that potentially expose PEER to concentration of credit risk consist primarily of cash and cash equivalents. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited at any one institution. PEER maintains its cash in various bank deposits accounts which, at times, may exceed federally insured limits. PEER has not experienced any losses in such accounts.

(j) **Advertising Costs** – Advertising costs are expensed as incurred. Advertising costs for the year ended September 30, 2014 was \$-0-.

(k) **Reclassifications** – Certain figures from the prior year have been reclassified to conform to the current year financial presentation.

### NOTE 2 – Income Taxes

PEER is exempt from Federal and State income tax under Section 501(c)(3) of the Internal Revenue Service Code. However, income from certain activities not directly related to PEER's tax-exempt purposes is subject to taxation as unrelated business income. There was no net unrelated business taxable income during the year.

As of September 30, 2014, PEER has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years subject to examination by the taxing authorities are the years ended September 30, 2011 through 2013.

# PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 3 – Investments

In accordance with FASB ASC 820, *Fair Value Management*, 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.

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, 2014.

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

The table below summarizes PEER's investments as of September 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$86,823	\$ -	\$ -	\$86, 823

### NOTE 4 – Temporarily Restricted Net Assets

As of September 30, 2014, the nature of PEER's temporarily restricted net assets consists of the following:

Resource protection	\$257,136
Field operations	193,628
Legal	<u>86,822</u>
Total	<u>\$537,586</u>

# PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 – Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses, satisfying the purpose or time restrictions specified by donors as follows:

Resource protection	\$201,379
Field operations	189,564
Legal	16,212
General and administrative	<u>4,500</u>
Total	<u>\$411,655</u>

### NOTE 6 – 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,

2015	\$117,378
2016	<u>39,686</u>
Total	<u>\$157,064</u>

Occupancy expense totaled \$108,737 for the year ended September 30, 2014. The deferred rent liability was \$10,789 for the year ended September 30, 2014.

# PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

### NOTE 7 – 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 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 funds 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, 2014.

### NOTE 8 – Subsequent Events

In preparing these financial statements, PEER has evaluated events and transactions for potential recognition or disclosure through February 2, 2015, the date the financial statements were available for issue.