

**FINANCIAL STATEMENTS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2010**

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

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of September 30, 2011, with Summarized Financial Information for 2010	3
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2011, with Summarized Financial Information for 2010	4
EXHIBIT C - Statement of Functional Expenses, for the Year Ended September 30, 2011, with Summarized Financial Information for 2010	5 - 6
EXHIBIT D - Statement of Cash Flows, for the Year Ended September 30, 2011, with Summarized Financial Information for 2010	7
NOTES TO FINANCIAL STATEMENTS	8 - 11



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of Public Employees for Environmental Responsibility, Inc. (PEER) as of September 30, 2011, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of PEER's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from PEER's financial statements for the year ended September 30, 2010 and, in our report dated June 14, 2011, we expressed an unqualified opinion on those statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PEER's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

June 19, 2012

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## PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2011  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

<b>ASSETS</b>		<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 498,891	\$ 473,554
Grants receivable		62,500	-
Prepaid expenses		<u>14,825</u>	<u>17,135</u>
Total current assets		<u>576,216</u>	<u>490,689</u>
<b>FIXED ASSETS</b>			
Furniture and equipment		31,326	27,887
Less: Accumulated depreciation		<u>(23,350)</u>	<u>(21,358)</u>
Net fixed assets		<u>7,976</u>	<u>6,529</u>
<b>OTHER ASSETS</b>			
Deposits		<u>7,140</u>	<u>7,140</u>
<b>TOTAL ASSETS</b>		<u><b>\$ 591,332</b></u>	<u><b>\$ 504,358</b></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities		\$ 51,931	\$ 82,301
Amounts held for other non-profit organization (Note 5)		<u>18,469</u>	<u>20,664</u>
Total current liabilities		<u>70,400</u>	<u>102,965</u>
<b>LONG-TERM LIABILITIES</b>			
Deferred rent abatement		<u>17,658</u>	<u>-</u>
Total liabilities		<u>88,058</u>	<u>102,965</u>
<b>NET ASSETS</b>			
Unrestricted		74,927	(55,207)
Temporarily restricted (Note 2)		<u>428,347</u>	<u>456,600</u>
Total net assets		<u>503,274</u>	<u>401,393</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><b>\$ 591,332</b></u>	<u><b>\$ 504,358</b></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, 2011  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Contributions	\$ 141,564	\$ -	\$ 141,564	\$ 208,061
Foundation grants	177,400	612,500	789,900	615,730
Contracts	-	-	-	3,000
Rental income	-	-	-	2,621
Miscellaneous income	27,190	-	27,190	30,324
Court awards	728,482	-	728,482	48,096
Net assets released from donor restrictions (Note 3)	<u>640,753</u>	<u>(640,753)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,715,389</u>	<u>(28,253)</u>	<u>1,687,136</u>	<u>907,832</u>
<b>EXPENSES</b>				
Program Services:				
Field Operations	688,915	-	688,915	609,964
Membership and Outreach	121,607	-	121,607	135,248
Legal	470,535	-	470,535	158,227
Pollution Control	108,315	-	108,315	80,205
Natural Resources	56,084	-	56,084	52,824
Military	<u>1,798</u>	<u>-</u>	<u>1,798</u>	<u>860</u>
Total program services	<u>1,447,254</u>	<u>-</u>	<u>1,447,254</u>	<u>1,037,328</u>
Supporting Services:				
Management and General	133,756	-	133,756	73,246
Fundraising	<u>4,245</u>	<u>-</u>	<u>4,245</u>	<u>2,496</u>
Total supporting services	<u>138,001</u>	<u>-</u>	<u>138,001</u>	<u>75,742</u>
Total expenses	<u>1,585,255</u>	<u>-</u>	<u>1,585,255</u>	<u>1,113,070</u>
Change in net assets	130,134	(28,253)	101,881	(205,238)
Net assets at beginning of year	<u>(55,207)</u>	<u>456,600</u>	<u>401,393</u>	<u>606,631</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 74,927</u></b>	<b><u>\$ 428,347</u></b>	<b><u>\$ 503,274</u></b>	<b><u>\$ 401,393</u></b>

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<b>2011</b>				
	<b>Program Services</b>				
	<b>Field Operations</b>	<b>Membership and Outreach</b>	<b>Legal</b>	<b>Pollution Control</b>	<b>Natural Resources</b>
Salaries and employee benefits	\$ 127,724	\$ 54,407	\$ 95,613	\$ 28,064	\$ 39,222
Printing and production	448	25,115	1,338	274	169
Professional fees	481,382	4,994	314,064	56,370	1,282
Occupancy (Note 4)	15,220	19,289	34,750	16,653	13,425
Insurance	-	-	1,807	-	-
Depreciation	-	-	-	-	-
Telephone	5,053	1,089	1,978	1,104	835
Travel and entertainment	13,771	-	110	2,778	23
Postage and delivery	509	6,544	410	100	48
Repairs and maintenance	424	1,060	1,713	825	769
Supplies	5,456	390	670	1,300	276
Subscriptions and publications	-	3,179	3,377	414	-
Meetings and conventions	-	-	-	40	-
Bank fees	-	74	50	-	-
Grants	35,400	-	-	-	-
Registrations, fees and licenses	3,528	5,406	13,236	284	35
Miscellaneous	-	60	1,419	109	-
<b>TOTAL</b>	<b><u>\$ 688,915</u></b>	<b><u>\$ 121,607</u></b>	<b><u>\$470,535</u></b>	<b><u>\$108,315</u></b>	<b><u>\$ 56,084</u></b>

							<b>2010</b>
		<b>Supporting Services</b>					
<b>Military</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>	
\$ 1,707	\$ 346,737	\$ 67,786	\$ 2,964	\$ 70,750	\$ 417,487	\$ 397,877	
-	27,344	968	-	968	28,312	26,937	
-	858,092	28,919	94	29,013	887,105	407,853	
-	99,337	20,678	1,059	21,737	121,074	96,827	
-	1,807	2,975	-	2,975	4,782	5,620	
-	-	1,992	-	1,992	1,992	3,541	
3	10,062	2,046	59	2,105	12,167	16,349	
-	16,682	1,730	-	1,730	18,412	11,195	
-	7,611	349	12	361	7,972	20,293	
-	4,791	732	37	769	5,560	6,358	
-	8,092	423	20	443	8,535	4,518	
-	6,970	-	-	-	6,970	6,424	
-	40	-	-	-	40	51	
-	124	562	-	562	686	1,272	
-	35,400	-	-	-	35,400	74,250	
88	22,577	860	-	860	23,437	20,130	
-	<u>1,588</u>	<u>3,736</u>	<u>-</u>	<u>3,736</u>	<u>5,324</u>	<u>13,575</u>	
<b><u>\$ 1,798</u></b>	<b><u>\$1,447,254</u></b>	<b><u>\$ 133,756</u></b>	<b><u>\$ 4,245</u></b>	<b><u>\$ 138,001</u></b>	<b><u>\$1,585,255</u></b>	<b><u>\$1,113,070</u></b>	

See accompanying notes to financial statements.

## PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 101,881	\$ (205,238)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,992	3,541
Donated investments	-	(2,600)
Deferred rent abatement	17,658	-
(Increase) decrease in:		
Grants receivable	(62,500)	309,000
Prepaid expenses	2,310	(797)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(30,370)	32,881
Amounts held for other non-profit organization	<u>(2,195)</u>	<u>20,664</u>
Net cash provided by operating activities	<u>28,776</u>	<u>157,451</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(3,439)	(1,408)
Proceeds from sale of investments	<u>-</u>	<u>2,600</u>
Net cash (used) provided by investing activities	<u>(3,439)</u>	<u>1,192</u>
Net increase in cash and cash equivalents	25,337	158,643
Cash and cash equivalents at beginning of year	<u>473,554</u>	<u>314,911</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 498,891</u></b>	<b><u>\$ 473,554</u></b>



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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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, 2010, 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). PEER maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by FDIC under this Act.

At times during the year, PEER maintains cash balances in interest bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) 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.

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

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 -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended September 30, 2011, PEER has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. 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 grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and 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 grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

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.

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

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.

**2. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at September 30, 2011:

Field Operations	\$ 65,120
Legal Programs	<u>363,227</u>
	<b><u>\$ 428,347</u></b>

**3. 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	\$ 281,949
Legal Programs	343,779
Clean Water	<u>15,025</u>
	<b><u>\$ 640,753</u></b>

**4. 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 2011. Effective February 1, 2007, monthly payments of \$7,362 are adjusted annually using the Consumer Price Index, with a maximum annual increase of 4%. Subsequent to year-end, PEER extended its lease agreement through January 31, 2019.

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:

<b><u>Year Ended September 30,</u></b>	
2012	\$ 107,233
2013	111,523
2014	115,984
2015	120,623
2016	125,448
Thereafter	<u>311,965</u>
	<b><u>\$ 892,776</u></b>

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**4. LEASE COMMITMENT (Continued)**

Occupancy expense totaled \$121,074 for the year ended September 30, 2011. The deferred rent liability was \$17,658.

**5. AMOUNTS HELD FOR OTHER NON-PROFIT ORGANIZATION**

Beginning in fiscal year 2010 and continuing through fiscal year 2011, PEER entered into a fiscal agent relationship in which it received contributions and incurred expenses on behalf of People United for Parks (PUP). The mission of PUP is to increase the number of national parks while preserving existing national parks. For the year ended September 30, 2011, PEER incurred \$2,196 in expenses and held \$18,469, on behalf of PUP. The funds held are due back to PUP upon conclusion of the relationship, which is expected to be during the fiscal year 2012.

**6. CONDITIONAL GRANTS**

In 2011, PEER received a two-year grant totaling \$260,000 to support the restoration of water quality and protection of wetlands in the lower river corridor states. The first installment of \$130,000 was received in March and is included in Temporarily Restricted Foundation Grants in the Statement of Activities and Change in Net Assets. The remaining payment of \$130,000 is conditional upon PEER's meeting certain stipulations set forth in the agreement. Since the remaining \$130,000 is conditional upon the grant terms, the contribution revenue will not be recorded until those terms are met.

**7. SUBSEQUENT EVENTS**

In preparing these financial statements, PEER has evaluated events and transactions for potential recognition or disclosure through June 19, 2012, the date the financial statements were issued.