

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

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

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

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position with Summarized Financial Information for 2017	3
Statement of Activities and with Summarized Financial Information for 2017	4
Statement of Functional Expenses with Summarized Financial Information for 2017	5
Statement of Cash Flows with Summarized Financial Information for 2017	6
Notes to Financial Statements	7-11

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

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, 2018, 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 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 Public Employees for Environmental Responsibility, Inc. as of September 30, 2018, 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

We have previously audited the Public Employees for Environmental Responsibility, Inc.'s 2017 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated January 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants
Chantilly, Virginia

January 18, 2019

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 751,584	\$ 679,279
Investments	270	177
Accounts and grants receivable	356,443	120,000
Prepaid expenses	12,730	12,630
Total Current Assets	<u>1,121,027</u>	<u>812,086</u>
Property and Equipment		
Furniture and equipment	9,414	11,093
Less: Accumulated depreciation	<u>(8,886)</u>	<u>(10,192)</u>
Net Property and Equipment	<u>528</u>	<u>901</u>
Non-Current Assets		
Beneficial interest in donor restricted fund	112,825	118,910
Security deposit	<u>15,788</u>	<u>15,788</u>
Total Non-Current Assets	<u>128,613</u>	<u>134,698</u>
Total Assets	<u>\$ 1,250,168</u>	<u>\$ 947,685</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 117,663</u>	<u>\$ 46,745</u>
Total Current Liabilities	<u>117,663</u>	<u>46,745</u>
Long-Term Liabilities		
Deferred rent	<u>62,427</u>	<u>60,276</u>
Total Liabilities	<u>180,090</u>	<u>107,021</u>
Net Assets		
Unrestricted	805,310	144,994
Temporarily restricted	<u>264,768</u>	<u>695,670</u>
Total Net Assets	<u>1,070,078</u>	<u>840,664</u>
Total Liabilities and Net Assets	<u>\$ 1,250,168</u>	<u>\$ 947,685</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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and Support				
Foundation grants	\$ 347,613	\$ 384,587	\$ 732,200	\$1,112,500
Court awards	375,355	-	375,355	163,520
Contributions	159,337	-	159,337	176,364
Contributed services	36,375	-	36,375	57,904
Investment income	4,411	-	4,411	1,661
Other revenue	2,515	-	2,515	3,042
Net assets released from restrictions	815,489	(815,489)	-	-
	1,741,095	(430,902)	1,310,193	1,514,991
Expenses				
Program Services				
Field operations	262,083	-	262,083	236,191
Scientist protection/education	189,115	-	189,115	120,418
Legal	224,640	-	224,640	184,978
Resource protection	169,425	-	169,425	168,457
Membership and outreach	133,472	-	133,472	108,510
Supporting Services				
Management and general	52,909	-	52,909	44,720
Fundraising	49,135	-	49,135	23,794
	1,080,779	-	1,080,779	887,068
Change in Net Assets	660,316	(430,902)	229,414	627,923
Net Assets at Beginning of Year	144,994	695,670	840,664	212,741
Net Assets at End of Year	\$ 805,310	\$ 264,768	\$1,070,078	\$ 840,664

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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018						2017		
	Program Services			Membership and Outreach			Supporting Services		
	Field Operations	Scientist Protection/ Education	Legal	Resource Protection	Outreach	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 6,528	\$ 118,728	\$ 91,474	\$ 123,566	\$ 77,584	\$ 417,880	\$ 15,486	\$ 21,257	\$ 454,623
Contract and professional fees	197,455	31,442	79,976	5,292	11,188	325,353	11,463	5,410	342,226
Occupancy	1,044	18,998	14,752	19,657	12,414	66,865	4,629	3,401	74,895
Payroll taxes and employee benefits	730	13,552	11,307	14,009	8,858	48,456	6,035	2,398	56,889
Awards and grants	44,167	-	-	-	-	44,167	-	-	44,167
Subscriptions and publications	298	400	19,237	750	6,539	27,224	83	399	27,706
Travel	7,951	52	378	-	-	8,381	6,446	-	14,827
Technology	150	2,723	2,153	2,835	1,780	9,641	3,320	488	13,449
Postage and delivery	76	161	233	240	6,823	7,533	1,101	3,764	12,398
Other expenses	570	-	229	-	225	1,024	866	10,225	12,115
Telephone	2,995	1,611	1,241	1,676	1,053	8,576	210	288	9,074
Printing and production	45	103	488	-	6,070	6,706	-	1,265	7,971
Supplies	74	1,345	1,264	1,400	938	5,021	175	240	5,436
Insurance	-	-	1,908	-	-	1,908	2,722	-	4,630
Depreciation	-	-	-	-	-	-	373	-	373
Loan interest	-	-	-	-	-	-	-	-	-
Fines and penalties	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 262,083	\$ 189,115	\$ 224,640	\$ 169,425	\$ 133,472	\$ 978,735	\$ 52,909	\$ 49,135	\$1,080,779
									\$ 887,068

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

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 229,414	\$ 627,923
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	373	510
Contributed securities	(2,639)	-
Loss on investments	(44)	-
Increase in accounts and grants receivable	(236,443)	(105,000)
Increase in prepaid expenses	(100)	(2,735)
Increase in account payable and accrued liabilities	70,918	20,397
Increase in deferred rent	2,151	15,723
	<u>63,630</u>	<u>556,818</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of furniture and equipment	-	(1,115)
Proceeds on investments	68,723	5,637
Purchase of investments	(60,048)	(37)
	<u>8,675</u>	<u>4,485</u>
Net cash provided by investing activities		
Cash flows from financing activities		
Repayments of loan	-	(50,000)
	<u>-</u>	<u>(50,000)</u>
Net cash used in financing activities		
Change in cash and cash equivalents	72,305	511,303
Cash and cash equivalents, beginning of year	<u>679,279</u>	<u>167,976</u>
Cash and cash equivalents, end of year	<u>\$ 751,584</u>	<u>\$ 679,279</u>
Cash payments for Interest	<u>\$ -</u>	<u>\$ 1,127</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

Public Employees for Environmental Responsibility, Inc. (PEER) is a nonprofit organization incorporated in 1992 in Washington, DC. PEER educates the public and employees of government resource management and environmental protection agencies nationwide about environmental ethics, assists those who speak out on behalf of environmental ethics, and protects 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, 2018.

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.

Permanently restricted net assets – Net assets that contain a stipulation that permanently restricted the use of such funds but allows earnings from the funds to be used in a certain manner.

For the year ended September 30, 2018, there were no permanently restricted net assets.

(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 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 checking and money market accounts.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

(e) **Accounts and Grants Receivable** – PEER estimates that all accounts and grants receivable are fully collectible, therefore no allowance for uncollectible receivables has been established. Accounts and grants receivable are considered past due if payments are not received within 30 days of the invoice date. Management periodically reviews accounts and grants receivable to evaluate collectability. Bad debt expense for the year ended September 30, 2018 was \$-0-.

(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) **Contributed Services** – PEER receives donations of services from volunteers throughout the year that would have to be purchased from professionals if not donated. PEER recognizes revenue at the fair value of the services received and recognizes a similar expense in the appropriate category. The total amount of contributed services was \$36,375 for the year ended September 30, 2018.

(h) **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.

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

(j) **Concentration of Credit and Market Risk** – Financial instruments that potentially expose PEER to concentration of credit risk consist primarily of cash and cash equivalents and investments. 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. The Organization's investments do not represent significant concentrations of market risk inasmuch as their investment portfolio is adequately diversified among issuers.

(k) **Advertising Costs** – Advertising costs are expensed as incurred. Advertising costs for the year ended September 30, 2018 was \$-0-.

(l) **Reclassification** – Certain items from the prior year have been reclassified to conform to the current year presentation.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2018, 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, 2015 through 2017.

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, 2018.

- *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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 41	\$112,825	\$ -	\$112,866
Equities	\$ 229	\$ -	\$ -	\$ 229

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 – Investments (Continued)

Investment income consisted of the following for the year ended September 30, 2018

Interest and dividends	\$4,455
Loss on investments	<u>(44)</u>
Total	<u>\$4,411</u>

NOTE 4 – Temporarily Restricted Net Assets

As of September 30, 2018, the nature of PEER's temporarily restricted net assets consists of the following:

Legal	\$112,825
Resource protection	77,252
Field operations	37,639
Science	<u>37,052</u>
Total	<u>\$264,768</u>

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:

Science	\$312,633
Resource protection	255,572
Field operations	166,612
Legal	<u>80,672</u>
Total	<u>\$815,489</u>

NOTE 6 – Lease Commitment

On October 26, 2015, PEER entered into a 130-month operating lease for office space in Silver Spring, MD, with a lease start date beginning February 1, 2016. The lease included a provision whereby PEER received 10 months of rent abatement. The difference between the actual payments required and the straight-line calculation of rent has been calculated and the difference recorded as deferred rent on the statement of financial position. Monthly payments of \$5,583 are required, and are adjusted annually using the Consumer Price Index, with a maximum annual increase of 3%. Additional payments for common area payments are required.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

NOTE 6 – Lease Commitment (Continued)

Future minimum lease payments required under the lease agreement is as follows:

Year Ending September 30,	
2019	\$ 66,675
2020	68,675
2021	70,735
2022	72,857
2023	75,043
Thereafter	<u>252,643</u>
Total	<u>\$606,628</u>

Occupancy expense totaled \$74,895 for the year ended September 30, 2018. The deferred rent liability was \$62,427 as of September 30, 2018.

NOTE 7 – Beneficial 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 for 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, 2018.

NOTE 8 – Subsequent Events

In preparing these financial statements, PEER has evaluated events and transactions for potential recognition or disclosure through January 18, 2019, the date the financial statements were available for issue.