

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

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

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

PUBLIC EMPLOYEES FOR ENVIRNOMENTAL RESPONSIBILITY, INC.

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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, 2016, 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, 2016, 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 2015 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated January 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants
Chantilly, Virginia

January 24, 2017

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 168,116	\$ 173,946
Grants receivable	15,000	155,000
Prepaid expenses	9,895	16,426
Total Current Assets	<u>193,011</u>	<u>345,372</u>
Property and Equipment		
Furniture and equipment	13,275	19,834
Less: Accumulated depreciation	(12,979)	(17,862)
Net Property and Equipment	<u>296</u>	<u>1,972</u>
Non-Current Assets		
Beneficial interest in donor restricted fund	124,547	36,982
Security deposit	15,788	7,140
Total Non-Current Assets	<u>140,335</u>	<u>44,122</u>
Total Assets	<u>\$ 333,642</u>	<u>\$ 391,466</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 26,348	\$ 29,828
Line of credit	50,000	-
Current portion of deferred rent abatement	-	3,297
Total Current Liabilities	<u>76,348</u>	<u>33,125</u>
Long-Term Liabilities		
Deferred rent abatement	44,553	-
Total Liabilities	<u>120,901</u>	<u>33,125</u>
Net Assets		
Unrestricted	(168,648)	(47,788)
Temporarily restricted	381,389	406,129
Total Net Assets	<u>212,741</u>	<u>358,341</u>
Total Liabilities and Net Assets	<u>\$ 333,642</u>	<u>\$ 391,466</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, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and Support:				
Foundation grants	\$ 64,371	\$313,629	\$378,000	\$ 564,100
Contributions	124,323	-	124,323	128,817
Court awards	103,119	-	103,119	69,744
In-kind services	56,275	-	56,275	60,488
Other revenue	2,926	-	2,926	3,487
Interest and dividends	689	-	689	1,069
Rental income	620	-	620	5,180
Net assets released from restrictions	338,369	(338,369)	-	-
	690,692	(24,740)	665,952	832,885
Expenses				
Program Services				
Field operations	173,393	-	173,393	244,251
Resource protection	171,581	-	171,581	140,416
Legal	221,748	-	221,748	227,017
Membership and outreach	109,604	-	109,604	81,915
Scientist protection/education	57,031	-	57,031	194,914
Supporting Services				
Management and general	50,128	-	50,128	66,091
Fundraising	28,067	-	28,067	19,728
	811,552	-	811,552	974,332
Change in Net Assets	(120,860)	(24,740)	(145,600)	(141,447)
Net Assets at Beginning of Year	(47,788)	406,129	358,341	499,788
Net Assets at End of Year	\$ (168,648)	\$381,389	\$212,741	\$ 358,341

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, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016						2015			
	Program Services			Supporting Services			Total Expenses	Total Expenses	Total Expenses	
	Field Operations	Resource Protection	Legal	Membership and Outreach	Scientist Protection/Education	Total Program				Management and General
Salaries and wages	\$ 11,591	\$ 107,978	\$ 74,092	\$ 51,053	\$ 36,630	\$ 281,344	\$ 16,925	\$ 14,932	\$ 313,201	\$ 315,220
Contract and professional fees	138,898	11,997	81,609	4,758	2,348	239,610	10,305	1,032	250,947	375,881
Payroll taxes and employee benefits	2,557	17,387	11,923	8,184	5,904	45,955	2,971	2,460	51,386	56,581
Occupancy	2,894	26,959	18,498	12,745	9,145	70,241	6,828	3,728	80,797	108,776
Subscriptions and publications	1,042	-	15,621	9,453	-	26,116	-	295	26,411	29,371
Postage and delivery	257	127	266	10,428	9	11,087	154	3,853	15,094	14,170
Fines and penalties	-	-	14,156	-	-	14,156	1	-	14,157	-
Travel	10,337	-	356	-	446	11,139	-	-	11,139	12,496
Technology	765	2,775	1,903	1,338	941	7,722	2,390	384	10,496	11,723
Telephone	3,952	1,975	1,355	934	670	8,886	309	273	9,468	8,990
Other expenses	684	-	73	5,774	-	6,531	938	-	7,469	7,098
Printing and production	51	841	(980)	4,149	415	4,476	1,362	897	6,735	20,558
Insurance	-	-	1,807	-	-	1,807	3,536	-	5,343	5,326
Supplies	365	1,542	1,069	788	523	4,287	241	213	4,741	5,753
Loan interest	-	-	-	-	-	-	2,492	-	2,492	-
Depreciation	-	-	-	-	-	-	1,676	-	1,676	2,389
Total Expenses	\$ 173,393	\$ 171,581	\$ 221,748	\$ 109,604	\$ 57,031	\$ 733,357	\$ 50,128	\$ 28,067	\$ 811,552	\$ 974,332

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, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (145,600)	\$ (141,447)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,676	2,389
Decrease (Increase) in grants receivable	140,000	(140,000)
Decrease in accounts receivable	-	8,252
Decrease in prepaid expenses	6,531	978
Increase in security deposit	(8,648)	-
Decrease in account payable and accrued liabilities	(3,480)	(12,083)
Decrease in amounts held for other non-profit organization	-	(63,823)
Increase (Decrease) in deferred rent abatement	41,256	(7,492)
	<u>31,735</u>	<u>(353,226)</u>
Cash flows from investing activities		
Proceeds on investments	<u>(87,565)</u>	<u>49,841</u>
	(87,565)	49,841
Cash flows from financing activities		
Draws on line of credit	<u>50,000</u>	<u>-</u>
	50,000	-
Change in cash and cash equivalents	(5,830)	(303,385)
Cash and cash equivalents, beginning of year	<u>173,946</u>	<u>477,331</u>
Cash and cash equivalents, end of year	<u>\$ 168,116</u>	<u>\$ 173,946</u>
Cash payments for		
Interest	<u>\$ 2,492</u>	<u>\$ -</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, 2016.

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, 2016, 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 a checking account and a money market account.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

(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, 2016 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 \$56,275 for the year ended September 30, 2016.

(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 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.

(k) **Advertising Costs** – Advertising costs are expensed as incurred. Advertising costs for the year ended September 30, 2016 was \$-0-.

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, 2016, 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, 2013 through 2015.

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, 2016.

- *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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$124,547	\$ -	\$ -	\$124,547

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 4 – Temporarily Restricted Net Assets

As of September 30, 2016, the nature of PEER's temporarily restricted net assets consists of the following:

Field operations	\$187,665
Legal	124,547
Resource protection	<u>69,177</u>
Total	<u>\$381,389</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:

Resource protection	\$175,311
Field operations	138,649
Legal	<u>24,409</u>
Total	<u>\$338,369</u>

NOTE 6 – Lease Commitment

On October 26, 2015, PEER entered into a 130 month operating lease for new 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 \$5,263 are required beginning December 1, 2016, and are adjusted annually using the Consumer Price Index, with a maximum annual increase of 3%.

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

Year Ending September 30,	
2017	\$ 52,628
2018	64,733
2019	66,675
2020	68,675
2021	70,735
Thereafter	<u>400,543</u>
Total	<u>\$723,989</u>

Occupancy expense totaled \$80,797 for the year ended September 30, 2016. The deferred rent liability was \$44,553 as of September 30, 2016.

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, 2016.

NOTE 8 – Line of Credit

On December 30, 2015 PEER borrowed \$50,000 from an unrelated not-for-profit organization to assist with short-term cash flow. Interest is payable quarterly at the Wall Street Journal prime rate plus 3%. Any unpaid principal is due on a balloon payment on December 31, 2018. The loan is collateralized by the proceeds of certain anticipated client settlements. The balance outstanding on the line as of September 30, 2016 was \$50,000.

NOTE 9 – Subsequent Events

In preparing these financial statements, PEER has evaluated events and transactions for potential recognition or disclosure through January 24, 2017, the date the financial statements were available for issue.