

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2008**

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of September 30, 2009, with Summarized Financial Information for 2008	3
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2009, with Summarized Financial Information for 2008	4
EXHIBIT C - Statement of Functional Expenses, for the Year Ended September 30, 2009, with Summarized Financial Information for 2008	5 - 6
EXHIBIT D - Statement of Cash Flows, for the Year Ended September 30, 2009, with Summarized Financial Information for 2008	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 the Public Employees for Environmental Responsibility, Inc. (PEER) as of September 30, 2009, 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, 2008 and, in our report dated February 18, 2009, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2009, 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

May 17, 2010

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

ASSETS		<u>2009</u>	<u>2008</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	314,911	\$ 530,025
Grants receivable		309,000	311,127
Prepaid expenses		<u>16,338</u>	<u>16,639</u>
Total current assets		<u>640,249</u>	<u>857,791</u>
FIXED ASSETS			
Furniture and equipment		45,730	41,915
Less: Accumulated depreciation and amortization		<u>(37,068)</u>	<u>(35,192)</u>
Net fixed assets		<u>8,662</u>	<u>6,723</u>
OTHER ASSETS			
Deposits		<u>7,140</u>	<u>7,140</u>
TOTAL ASSETS	\$	<u>656,051</u>	\$ <u>871,654</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	49,420	\$ 71,575
Deferred revenue		<u>-</u>	<u>2,493</u>
Total current liabilities		<u>49,420</u>	<u>74,068</u>
NET ASSETS			
Unrestricted		104,811	311,347
Temporarily restricted (Note 2)		<u>501,820</u>	<u>486,239</u>
Total net assets		<u>606,631</u>	<u>797,586</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>656,051</u>	\$ <u>871,654</u>

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 217,038	\$ 42,637	\$ 259,675	\$ 473,698
Foundation grants	203,000	567,114	770,114	498,642
Rental income (Note 4)	28,010	-	28,010	29,532
Miscellaneous income	11,822	-	11,822	17,385
Court awards	24,935	-	24,935	119,500
Net assets released from donor restrictions (Note 3)	<u>594,170</u>	<u>(594,170)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,078,975</u>	<u>15,581</u>	<u>1,094,556</u>	<u>1,138,757</u>
EXPENSES				
Program Services:				
Field Operations	691,410	-	691,410	516,206
Membership and Outreach	171,513	-	171,513	117,349
Legal	186,688	-	186,688	305,966
Pollution Control	40,893	-	40,893	12,563
Natural Resources	68,444	-	68,444	108,537
Military	<u>558</u>	<u>-</u>	<u>558</u>	<u>5,375</u>
Total program services	<u>1,159,506</u>	<u>-</u>	<u>1,159,506</u>	<u>1,065,996</u>
Supporting Services:				
Management and General	110,572	-	110,572	91,955
Fundraising	<u>15,433</u>	<u>-</u>	<u>15,433</u>	<u>20,689</u>
Total supporting services	<u>126,005</u>	<u>-</u>	<u>126,005</u>	<u>112,644</u>
Total expenses	<u>1,285,511</u>	<u>-</u>	<u>1,285,511</u>	<u>1,178,640</u>
Change in net assets	(206,536)	15,581	(190,955)	(39,883)
Net assets at beginning of year	<u>311,347</u>	<u>486,239</u>	<u>797,586</u>	<u>837,469</u>
NET ASSETS AT END OF YEAR	<u>\$ 104,811</u>	<u>\$ 501,820</u>	<u>\$ 606,631</u>	<u>\$ 797,586</u>

See accompanying notes to financial statements.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	2009				
	Program Services				
	Field Operations	Membership and Outreach	Legal	Pollution Control	Natural Resources
Salaries and employee benefits	\$ 80,911	\$ 92,350	\$ 74,870	\$ 32,778	\$ 49,266
Printing and production	1,707	29,449	329	-	210
Professional fees	328,207	2,131	77,888	-	4,500
Occupancy (Note 4)	19,393	22,134	17,945	7,856	11,808
Insurance	-	-	1,807	-	-
Depreciation and amortization	-	-	-	-	-
Telephone	4,829	458	872	55	1,431
Travel and entertainment	16,565	336	-	-	-
Postage and delivery	819	5,646	380	35	114
Repairs and maintenance	-	-	-	-	-
Supplies	1,477	66	-	-	-
Subscriptions and publications	-	4,940	221	-	-
Meetings and conventions	-	10,044	-	-	-
Advertising and promotion	4,886	-	-	-	-
Bank fees	-	570	-	-	-
Grants	212,311	-	-	-	-
Registrations, fees and licenses	5,739	2,220	10,169	169	1,066
Miscellaneous	<u>14,566</u>	<u>1,169</u>	<u>2,207</u>	<u>-</u>	<u>49</u>
TOTAL	<u>\$ 691,410</u>	<u>\$ 171,513</u>	<u>\$ 186,688</u>	<u>\$ 40,893</u>	<u>\$ 68,444</u>

						2008
		Supporting Services				
Military	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$ 429	\$ 330,604	\$ 55,076	\$ 9,809	\$ 64,885	\$ 395,489	\$ 369,932
-	31,695	40	2,340	2,380	34,075	43,639
-	412,726	19,682	245	19,927	432,653	531,444
103	79,239	13,201	2,351	15,552	94,791	91,901
-	1,807	3,468	-	3,468	5,275	4,688
-	-	4,005	-	4,005	4,005	5,409
7	7,652	5,187	-	5,187	12,839	12,291
-	16,901	-	-	-	16,901	17,142
-	6,994	929	293	1,222	8,216	11,102
-	-	2,502	-	2,502	2,502	6,094
-	1,543	1,073	-	1,073	2,616	3,071
-	5,161	295	-	295	5,456	3,997
-	10,044	-	-	-	10,044	1,121
-	4,886	-	395	395	5,281	7,509
-	570	1,567	-	1,567	2,137	1,149
-	212,311	-	-	-	212,311	20,000
19	19,382	3,145	-	3,145	22,527	21,649
-	17,991	402	-	402	18,393	26,502
\$ 558	\$1,159,506	\$ 110,572	\$ 15,433	\$ 126,005	\$1,285,511	\$ 1,178,640

See accompanying notes to financial statements.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (190,955)	\$ (39,883)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,005	5,409
Donated investments	(45,150)	(6,953)
(Increase) decrease in:		
Grants receivable	2,127	282,000
Prepaid expenses	301	(4,995)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(22,155)	(204,550)
Deferred revenue	<u>(2,493)</u>	<u>2,493</u>
Net cash provided (used) by operating activities	<u>(254,320)</u>	<u>33,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(5,944)	(1,000)
Proceeds from sale of investments	<u>45,150</u>	<u>6,953</u>
Net cash provided by investing activities	<u>39,206</u>	<u>5,953</u>
Net increase (decrease) in cash and cash equivalents	(215,114)	39,474
Cash and cash equivalents at beginning of year	<u>530,025</u>	<u>490,551</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 314,911</u>	<u>\$ 530,025</u>

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The 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.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, PEER has updated references to GAAP in its financial statements issued for the year ended September 30, 2009. The adoption of FASB ASC 105 did not impact PEER's financial position or results of operations.

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, 2008, 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.

At times during the year, PEER maintains cash balances 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, 2009

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 -

The Financial Accounting Standards Board (FASB) ASC 740-10, *Income Taxes*, provides guidance for reporting uncertainty in income taxes. The FASB ASC 740-10 is not effective until fiscal years beginning after December 15, 2008. As such, PEER has not implemented those provisions in the 2009 financial statements.

Since the provisions of FASB ASC 740-10 have not been implemented in accounting for uncertain tax positions, PEER continues to utilize its prior policy of accounting for these positions, following the guidance in FASB ASC 450, *Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of September 30, 2009, PEER has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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 expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. 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, 2009

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.

Deferred revenue -

Deferred revenue consists of cash received for the next fiscal year for sublease income. There was no deferred revenue as of September 30, 2009.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at September 30, 2009:

Field Operations	\$ 410,309
Legal Program	<u>91,511</u>
	<u>\$ 501,820</u>

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	\$ 546,624
Clean Water	19,331
Other	<u>28,215</u>
	<u>\$ 594,170</u>

4. **LEASE COMMITMENT**

In July 2005, PEER entered into a lease for office space beginning January 2006 through January 2011. Effective February 1, 2007, monthly payments of \$7,362 will be adjusted annually using the Consumer Price Index, with a maximum annual increase of 4%.

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

Year Ended September 30,

2010	\$ 102,026
2011	<u>34,450</u>
	<u>\$ 136,476</u>

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

4. LEASE COMMITMENT (Continued)

Occupancy expense was \$94,791 for the year ended September 30, 2009.

PEER received rental income under a short-term lease agreement. Rental income was \$28,010 for the year ended September 30, 2009.

5. SUBSEQUENT EVENTS

In preparing these financial statements, PEER has evaluated events and transactions for potential recognition or disclosure through May 17, 2010, the date the financial statements were issued.