

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2009**

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

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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, 2010, 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, 2009 and, in our report dated May 17, 2010, 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, 2010, 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 14, 2011

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PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

ASSETS		<u>2010</u>	<u>2009</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 473,554	\$ 314,911
Grants receivable		-	309,000
Prepaid expenses		<u>17,135</u>	<u>16,338</u>
Total current assets		<u>490,689</u>	<u>640,249</u>
FIXED ASSETS			
Furniture and equipment		27,887	45,730
Less: Accumulated depreciation		<u>(21,358)</u>	<u>(37,068)</u>
Net fixed assets		<u>6,529</u>	<u>8,662</u>
OTHER ASSETS			
Deposits		<u>7,140</u>	<u>7,140</u>
TOTAL ASSETS		<u>\$ 504,358</u>	<u>\$ 656,051</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 82,301	\$ 49,420
Amounts held for other non-profit organization (Note 5)		<u>20,664</u>	<u>-</u>
Total current liabilities		<u>102,965</u>	<u>49,420</u>
NET ASSETS			
Unrestricted		(55,207)	104,811
Temporarily restricted (Note 2)		<u>456,600</u>	<u>501,820</u>
Total net assets		<u>401,393</u>	<u>606,631</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 504,358</u>	<u>\$ 656,051</u>

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 208,061	\$ -	\$ 208,061	\$ 259,675
Foundation grants	145,550	470,180	615,730	770,114
Contracts	3,000	-	3,000	-
Rental income (Note 4)	2,621	-	2,621	28,010
Miscellaneous income	30,324	-	30,324	11,822
Court awards	48,096	-	48,096	24,935
Net assets released from donor restrictions (Note 3)	<u>515,400</u>	<u>(515,400)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>953,052</u>	<u>(45,220)</u>	<u>907,832</u>	<u>1,094,556</u>
EXPENSES				
Program Services:				
Field Operations	609,964	-	609,964	691,410
Membership and Outreach	135,248	-	135,248	171,513
Legal	158,227	-	158,227	186,688
Pollution Control	80,205	-	80,205	40,893
Natural Resources	52,824	-	52,824	68,444
Military	<u>860</u>	<u>-</u>	<u>860</u>	<u>558</u>
Total program services	<u>1,037,328</u>	<u>-</u>	<u>1,037,328</u>	<u>1,159,506</u>
Supporting Services:				
Management and General	73,246	-	73,246	110,572
Fundraising	<u>2,496</u>	<u>-</u>	<u>2,496</u>	<u>15,433</u>
Total supporting services	<u>75,742</u>	<u>-</u>	<u>75,742</u>	<u>126,005</u>
Total expenses	<u>1,113,070</u>	<u>-</u>	<u>1,113,070</u>	<u>1,285,511</u>
Change in net assets	(160,018)	(45,220)	(205,238)	(190,955)
Net assets at beginning of year	<u>104,811</u>	<u>501,820</u>	<u>606,631</u>	<u>797,586</u>
NET ASSETS AT END OF YEAR	\$ <u>(55,207)</u>	\$ <u>456,600</u>	\$ <u>401,393</u>	\$ <u>606,631</u>

See accompanying notes to financial statements.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	2010				
	Program Services				
	Field Operations	Membership and Outreach	Legal	Pollution Control	Natural Resources
Salaries and employee benefits	\$ 154,227	\$ 63,938	\$ 70,037	\$ 33,019	\$ 38,498
Printing and production	3,931	22,365	145	20,538	74
Professional fees	311,934	2,910	52,378	1,680	2,105
Occupancy (Note 4)	26,911	15,510	17,068	19,180	8,839
Insurance	-	-	1,087	-	-
Depreciation	-	-	-	-	-
Telephone	8,623	1,619	923	2,256	1,919
Travel and entertainment	7,826	-	1,744	1,199	316
Postage and delivery	3,294	14,875	1,056	159	47
Repairs and maintenance	2,346	1,056	1,017	936	626
Supplies	1,329	657	713	1,013	400
Subscriptions and publications	-	5,050	994	-	-
Meetings and conventions	-	-	-	-	-
Bank fees	-	668	-	-	-
Grants	74,250	-	-	-	-
Registrations, fees and licenses	2,718	6,600	10,517	225	-
Miscellaneous	12,575	-	548	-	-
TOTAL	<u>\$ 609,964</u>	<u>\$ 135,248</u>	<u>\$ 158,227</u>	<u>\$ 80,205</u>	<u>\$ 52,824</u>

							2009
		Supporting Services					
Military	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 644	\$ 360,363	\$ 35,770	\$ 1,744	\$ 37,514	\$ 397,877	\$ 395,489	
1	47,054	85	2	87	47,141	34,075	
12	371,019	16,608	22	16,630	387,649	432,653	
159	87,667	8,733	427	9,160	96,827	94,791	
-	1,087	4,533	-	4,533	5,620	5,275	
-	-	3,541	-	3,541	3,541	4,005	
26	15,366	939	44	983	16,349	12,839	
-	11,085	29	81	110	11,195	16,901	
5	19,436	767	90	857	20,293	8,216	
6	5,987	354	17	371	6,358	2,502	
7	4,119	381	18	399	4,518	2,616	
-	6,044	380	-	380	6,424	5,456	
-	-	-	51	51	51	10,044	
-	668	604	-	604	1,272	2,137	
-	74,250	-	-	-	74,250	212,311	
-	20,060	70	-	70	20,130	22,527	
-	13,123	452	-	452	13,575	23,674	
\$ 860	\$1,037,328	\$ 73,246	\$ 2,496	\$ 75,742	\$1,113,070	\$1,285,511	

See accompanying notes to financial statements.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (205,238)	\$ (190,955)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,541	4,005
Donated investments	(2,600)	(45,150)
(Increase) decrease in:		
Grants receivable	309,000	2,127
Prepaid expenses	(797)	301
Increase (decrease) in:		
Accounts payable and accrued liabilities	32,881	(22,155)
Amounts held for other non-profit organization	<u>20,664</u>	<u>(2,493)</u>
Net cash provided (used) by operating activities	<u>157,451</u>	<u>(254,320)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(1,408)	(5,944)
Proceeds from sale of investments	<u>2,600</u>	<u>45,150</u>
Net cash provided by investing activities	<u>1,192</u>	<u>39,206</u>
Net increase (decrease) in cash and cash equivalents	158,643	(215,114)
Cash and cash equivalents at beginning of year	<u>314,911</u>	<u>530,025</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 473,554</u>	<u>\$ 314,911</u>

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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, 2009, 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.

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.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

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, 2010, 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.

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.

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.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2010:

Field Operations	\$ 202,069
Legal Programs	239,506
Clean Water	<u>15,025</u>
	<u>\$ 456,600</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	\$ 352,939
Legal Programs	141,816
Clean Water	<u>20,645</u>
	<u>\$ 515,400</u>

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.

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

Year Ended September 30,

2011	\$ 101,677
2012	107,233
2013	111,523
2014	115,984
Thereafter	<u>558,036</u>
	<u>\$ 994,453</u>

Occupancy expense was \$96,827 for the year ended September 30, 2010.

PEER received rental income under a short-term lease agreement. Rental income was \$2,621 for the year ended September 30, 2010.

PUBLIC EMPLOYEES FOR ENVIRONMENTAL RESPONSIBILITY, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

5. AMOUNTS HELD FOR OTHER NON-PROFIT ORGANIZATION

In 2010, PEER acted as a fiscal sponsor for People United for Parks (PUP). The mission of PUP is to increase the number of national parks while preserving existing national parks. During 2010, PUP received \$29,877 in contributions and incurred \$9,213 in expenses. The balance at September 30, 2010 was \$20,664.

6. SUBSEQUENT EVENTS

In preparing these financial statements, PEER has evaluated events and transactions for potential recognition or disclosure through June 14, 2011, the date the financial statements were issued.