

# Pacific Education Institute

Financial Report  
(Reviewed)  
December 31, 2014

Pacific  
Education  
Institute

**Financial  
Report**

December 31  
2014

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## Independent Accountant's Review Report

To the Board of Directors  
Pacific Education Institute  
Olympia, Washington

We have reviewed the accompanying balance sheets of Pacific Education Institute as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Tacoma, Washington  
April 29, 2015

**Financial  
Statements**

## Balance Sheets

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Pacific Education Institute  
December 31, 2014 and 2013

|   | 2014             | 2013             |
|---|------------------|------------------|
| <b>Assets</b>                           |                  |                  |
| <b>Current Assets</b>                   |                  |                  |
| Cash and cash equivalents               | \$209,833        | \$117,858        |
| Certificates of deposit                 | 225,000          | 125,000          |
| Grants and pledges receivable           | 47,813           | 109,822          |
| Accounts receivable                     | 17,432           | 132              |
| Prepaid expenses and other assets       | 1,856            | 993              |
| Materials inventory                     | 7,238            | --               |
| <b>Total assets</b>                     | <b>\$509,172</b> | <b>\$353,805</b> |
| <b>Liabilities and Net Assets</b>       |                  |                  |
| <b>Current Liabilities</b>              |                  |                  |
| Accounts payable                        | \$ 67,251        | \$ 33,589        |
| Accrued payroll liabilities             | 336              | --               |
| <b>Total liabilities</b>                | <b>67,587</b>    | <b>33,589</b>    |
| <b>Net Assets</b>                       |                  |                  |
| Unrestricted                            |                  |                  |
| Board-designated operating reserve      | 225,000          | --               |
| Undesignated                            | 90,692           | 224,081          |
| Temporarily restricted                  | 125,893          | 96,135           |
| <b>Total net assets</b>                 | <b>441,585</b>   | <b>320,216</b>   |
| <b>Total liabilities and net assets</b> | <b>\$509,172</b> | <b>\$353,805</b> |

See notes to financial statements.  
See independent accountant's review report.

## Statements of Activities and Changes in Net Assets

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Pacific Education Institute  
Years Ended December 31, 2014 and 2013

|                                  | Unrestricted     |                  | Temporarily Restricted |                  | Total            |                  |
|----------------------------------|------------------|------------------|------------------------|------------------|------------------|------------------|
|                                  | 2014             | 2013             | 2014                   | 2013             | 2014             | 2013             |
| <b>Support and Revenue</b>       |                  |                  |                        |                  |                  |                  |
| Contributions                    | \$330,906        | \$404,914        | \$358,084              | \$240,387        | \$688,990        | \$645,301        |
| Interest                         | 453              | 217              | --                     | --               | 453              | 217              |
| Other                            | 44,636           | 21,577           | --                     | --               | 44,636           | 21,577           |
| Released from restrictions       | 328,326          | 210,712          | (328,326)              | (210,712)        | --               | --               |
| <b>Total support and revenue</b> | <b>704,321</b>   | <b>637,420</b>   | <b>29,758</b>          | <b>29,675</b>    | <b>734,079</b>   | <b>667,095</b>   |
| <b>Expenses</b>                  |                  |                  |                        |                  |                  |                  |
| Programs                         | 399,187          | 355,278          | --                     | --               | 399,187          | 355,278          |
| General and administrative       | 83,789           | 68,979           | --                     | --               | 83,789           | 68,979           |
| Fundraising                      | 129,734          | 96,253           | --                     | --               | 129,734          | 96,253           |
| <b>Total expenses</b>            | <b>612,710</b>   | <b>520,510</b>   | <b>--</b>              | <b>--</b>        | <b>612,710</b>   | <b>520,510</b>   |
| <b>Changes in net assets</b>     | <b>91,611</b>    | <b>116,910</b>   | <b>29,758</b>          | <b>29,675</b>    | <b>121,369</b>   | <b>146,585</b>   |
| <b>Net Assets</b>                |                  |                  |                        |                  |                  |                  |
| Beginning of year                | 224,081          | 107,171          | 96,135                 | 66,460           | 320,216          | 173,631          |
| <b>End of year</b>               | <b>\$315,692</b> | <b>\$224,081</b> | <b>\$125,893</b>       | <b>\$ 96,135</b> | <b>\$441,585</b> | <b>\$320,216</b> |

See notes to financial statements.  
See independent accountant's review report.

## Statements of Cash Flows

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Pacific Education Institute  
Years Ended December 31, 2014 and 2013

|  | 2014             | 2013             |
|--|------------------|------------------|
| <b>Cash Flows from Operating Activities</b>              |                  |                  |
| Changes in net assets                                    | \$121,369        | \$146,585        |
| Changes in assets and liabilities:                       |                  |                  |
| (Increase) decrease in receivables                       | 44,709           | (75,871)         |
| (Increase) decrease in prepaid expenses and other assets | (863)            | 13               |
| Increase in inventory                                    | (7,238)          | -                |
| Increase in accounts payable                             | 33,998           | 5,205            |
| <b>Net cash provided by operating activities</b>         | <b>191,975</b>   | <b>75,932</b>    |
| <b>Cash Flows from Investing Activities</b>              |                  |                  |
| Purchase of certificates of deposit                      | (100,000)        | (50,000)         |
| <b>Net increase in cash and cash equivalents</b>         | <b>91,975</b>    | <b>25,932</b>    |
| <b>Cash and cash equivalents</b>                         |                  |                  |
| Beginning of year  | 117,858          | 91,926           |
| <b>End of year</b>                                       | <b>\$209,833</b> | <b>\$117,858</b> |

See notes to financial statements.  
See independent accountant's review report.



## Notes to Financial Statements

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Pacific Education Institute  
December 31, 2014 and 2013

### Note 1 - Nature of Activities and Summary of Significant Accounting Policies

#### Nature of Activities

Pacific Education Institute (the Organization) is a not-for-profit corporation, incorporated in March 2003 under the laws of the state of Washington. The Organization promotes experiential learning, critical thinking, and problem-solving programs regarding the environment, economy and culture in the Pacific Northwest. PEI equips educators with strategies and resources to use the outdoor environment as a learning lab, to facilitate students becoming civically and scientifically literate.

A summary of the Organization's significant accounting policies follows:

#### Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and support and revenue in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Organization, and changes therein, are classified as follows:

Unrestricted net assets - net assets not subject to donor-imposed stipulations, which include certain amounts designated by the board of directors.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed restrictions stipulating they be maintained permanently by the Organization.

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities and changes in net assets as released from restrictions. Restrictions met in the same year through satisfaction of purpose or time restrictions are also recorded as released from restriction in the accompanying financial statements. Temporarily restricted net assets totaled \$125,893 and \$96,135 at December 31, 2014 and 2013, respectively. The Organization had no permanently restricted net assets.

*(continued)*

*See independent accountant's review report.*

## **Notes to Financial Statements**

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Pacific Education Institute  
December 31, 2014 and 2013

### **Note 1 - Nature of Activities and Summary of Significant Accounting Policies** *(continued)*

#### **Use of Estimates**

Preparation of financial statements prepared in accordance 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, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers money market funds purchased with an original maturity of three months or less to be cash equivalents. All certificates of deposit, regardless of maturity, are included in short-term investments.

#### **Receivables**

Pledges receivable are carried at the amount of the donor's unconditional promise to give. Grants receivable are recorded when the terms of the grant agreement have been met. Accounts receivable are carried at signed contract amount or original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management has determined that no allowance is necessary for bad debt at December 31, 2014 and 2013.

#### **Inventory**

Inventory consists of materials to be used to support the Organization's programs and is valued at the lower of cost or market.

#### **Support and Revenue Recognition**

Contributions, including unconditional promises to give, are recorded as revenue in the period received, less an allowance for uncollectible amounts, if any. Annual unrestricted contributions are recorded in the period confirmed. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions are reported as restricted support unless the restriction is met in the same reporting period, in which case, the contribution is reported as unrestricted support. Conditional contributions and grants, where funds were received in advance, are shown as deferred revenue until the conditions have been met. The Organization had no deferred revenue for the years ended December 31, 2014 and 2013. Revenue on cost-reimbursement grants is recognized when the related services are performed or the costs incurred.

*(continued)*

*See independent accountant's review report.*

## Notes to Financial Statements

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Pacific Education Institute  
December 31, 2014 and 2013

### Note 1 - Nature of Activities and Summary of Significant Accounting Policies *(concluded)*

#### Federal Income Taxes

No provision for income taxes has been made in the financial statements since the Organization is exempt from federal income taxes under Internal Revenue Code, Section 501(c)(3). Additionally, the Organization has done an assessment of any uncertain tax positions and has determined it has no uncertain tax positions to record as a liability at December 31, 2014 and 2013.

Form 990, filed by the Organization, is subject to examinations by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state and local tax authorities for years before 2011.

#### Functional Expenses

Expenses are charged to program or support services based on specific identification, where feasible. Certain expenses have been allocated among the various programs and support services based on the time devoted by staff members to each of the services.

#### Board-Designated Net Assets

The board has designated \$225,000 of the unrestricted net assets to ensure the long-term financial stability of the Organization. Specifically, the objectives are to: 1) manage cash flow and maintain financial flexibility; 2) enable the Organization to sustain operations through delays in payments of committed funding and to accept reimbursable contracts and grants without jeopardizing ongoing operations; and 3) promote public and funder confidence in the long-term sustainability of the Organization through the provision of stability in funding reserves.

### Note 2 - Restrictions on Net Assets

Temporarily restricted net assets are as follows at December 31, 2014 and 2013:

|  | 2014             | 2013            |
|--|------------------|-----------------|
| Purpose restrictions:                          |                  |                 |
| District program delivery                      | \$110,893        | \$90,000        |
| Research                                       | 15,000           | - -             |
| Curriculum and materials development           | - -              | 6,135           |
| <b>Total temporarily restricted net assets</b> | <b>\$125,893</b> | <b>\$96,135</b> |

During 2014 and 2013, net assets were released totaling \$328,326 and \$210,712, respectively, related to the allowed expenses associated with these purpose restrictions.

*See independent accountant's review report.*

## **Notes to Financial Statements**

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Pacific Education Institute  
December 31, 2014 and 2013

### **Note 3 - Support from Significant Contributor**

The Organization was founded through the leadership of individuals involved in the Washington Forest Protection Association (the Association). The Organization values the Association as one of its partners, along with state agencies, school districts and other organizations, working toward achieving mutual educational goals. The Organization receives a significant percentage of its support from the Association. At the present time, key Organization staff and significant organizational support are provided by direct and indirect financial support from the Association. The Association contributed approximately \$209,000 and \$204,000 of services and support to the Organization for the years ended December 31, 2014 and 2013, respectively, which are included in contributions on the accompanying statements of activities and changes in net assets. Cash contributions were approximately \$18,000 and \$41,000 for the years ended December 31, 2014 and 2013, of which \$0 and \$23,500 was in receivables due, respectively. Beginning in 2014, as a component of an Organization strategic planning process, the Association intends to decrease its level of funding incrementally over four years; individual members of the Association continue to provide support through direct contributions to the Organization.

### **Note 4 - Subsequent Events**

Events that occurred subsequent to year-end have been evaluated by the Organization's management through April 29, 2015, which is the date the financial statements were available to be issued.

*See independent accountant's review report.*

**Supplementary  
Information**



### Independent Accountant's Review Report on the Supplementary Information

To the Board of Directors  
Pacific Education Institute  
Olympia, Washington

Our reviews were made for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information which follows is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

*McGladrey LLP*

Tacoma, Washington  
April 29, 2015

**Schedule of Functional Expenses**

Pacific Education Institute  
Year Ended December 31, 2014  
(With Comparative Totals for the Year Ended December 31, 2013)

|   | <b>Programs</b>        |  |                              |                 |                                 |                         |                   |                        |                       |                                   |                     | <b>Total Expenses</b> |                  |
|---|------------------------|--|------------------------------|-----------------|---------------------------------|-------------------------|-------------------|------------------------|-----------------------|-----------------------------------|---------------------|-----------------------|------------------|
|   | <b>General Program</b> | <b>Educational Activities &amp; Outreach</b> | <b>Materials Development</b> | <b>Research</b> | <b>Professional Development</b> | <b>Invasive Species</b> | <b>Work-SMART</b> | <b>Regional Models</b> | <b>Total Programs</b> | <b>General and Administrative</b> | <b>Fund-raising</b> | <b>2014</b>           | <b>2013</b>      |
| Consultants:                                  |                        |  |                              |                 |                                 |                         |                   |                        |                       |                                   |                     |                       |                  |
| Evaluation/documentation                      | \$ --                  | \$ --  | \$ --                        | \$4,739         | \$ --                           | \$ --                   | \$ --             | \$ 2,075               | \$ 6,814              | \$ --                             | \$ --               | \$ 6,814              | \$ 7,758         |
| Curriculum development                        | --                     | 1,325  | 21,154                       | --              | --                              | --                      | --                | --                     | 22,479                | --                                | --                  | 22,479                | 26,119           |
| Program coordination and delivery             | --                     | 2,500  | 990                          | --              | 9,773                           | --                      | --                | 54,750                 | 68,013                | --                                | --                  | 68,013                | 55,342           |
| Program planning and other services           | --                     | --   | --                           | --              | --                              | --                      | 1,076             | --                     | 1,076                 | --                                | --                  | 1,076                 | 1,246            |
| Workshop expenses:                            |                        |  |                              |                 |                                 |                         |                   |                        |                       |                                   |                     |                       |                  |
| Presenters/instructors                        | --                     | 600  | 755                          | --              | 9,254                           | --                      | 1,078             | 26,757                 | 38,444                | --                                | --                  | 38,444                | 48,933           |
| Facilities/meeting                            | --                     | --   | --                           | --              | 2,810                           | --                      | --                | 1,620                  | 4,430                 | --                                | --                  | 4,430                 | 12,426           |
| Substitutes/educator stipends                 | --                     | --   | 550                          | --              | --                              | --                      | --                | 27,906                 | 28,456                | --                                | --                  | 28,456                | 31,783           |
| Curriculum and materials                      | --                     | --   | 218                          | --              | 1,796                           | --                      | --                | 6,779                  | 8,793                 | --                                | --                  | 8,793                 | 11,332           |
| Conferences and training                      | 95                     | 4,929  | --                           | --              | --                              | --                      | --                | 576                    | 5,600                 | 27                                | 1,326               | 6,953                 | 4,505            |
| School district supplies, equipment and other | --                     | --   | --                           | --              | --                              | --                      | --                | 2,560                  | 2,560                 | --                                | --                  | 2,560                 | 3,625            |
| Special events/recognitions                   | --                     | --   | --                           | --              | --                              | --                      | --                | --                     | --                    | --                                | 8,593               | 8,593                 | 4,227            |
| Salaries and benefits                         | 78,151                 | 16,820                                       | 8,445                        | 1,744           | 4,999                           | 1,497                   | 5,694             | 49,627                 | 166,977               | 55,273                            | 94,478              | 316,728               | 257,334          |
| Meals and travel                              | 1,120                  | 2,039  | 767                          | --              | 90                              | 121                     | 134               | 4,834                  | 9,105                 | 1,032                             | 1,373               | 11,510                | 7,568            |
| Meetings                                      | 191                    | --   | 93                           | --              | --                              | --                      | --                | 135                    | 419                   | 1,626                             | 30                  | 2,075                 | 2,098            |
| Professional services                         | 3,825                  | 1,279  | 1,570                        | 317             | 1,400                           | 73                      | 384               | 8,439                  | 17,287                | 17,806                            | 13,520              | 48,613                | 18,789           |
| Dues and contributions                        | 119                    | 50   | --                           | --              | --                              | --                      | --                | --                     | 169                   | --                                | 205                 | 374                   | 429              |
| Printing and publications                     | 223                    | 74   | 91                           | 18              | 81                              | 4                       | 22                | 493                    | 1,006                 | 440                               | 1,142               | 2,588                 | 1,264            |
| Website and communications                    | 656                    | 220  | 269                          | 54              | 240                             | 13                      | 66                | 1,517                  | 3,035                 | 385                               | 748                 | 4,168                 | 3,324            |
| Rent  | 840                    | 281  | 345                          | 70              | 307                             | 16                      | 84                | 1,853                  | 3,796                 | 1,126                             | 3,479               | 8,401                 | 8,200            |
| Office  | 1,472                  | 519  | 609                          | 122             | 970                             | 28                      | 148               | 3,350                  | 7,218                 | 1,791                             | 3,407               | 12,416                | 8,915            |
| General/miscellaneous                         | 390                    | 131  | 160                          | 32              | 171                             | 7                       | 39                | 867                    | 1,797                 | 874                               | 555                 | 3,226                 | 1,456            |
| Insurance                                     | 348                    | 117  | 143                          | 29              | 127                             | 7                       | 35                | 769                    | 1,575                 | 1,623                             | 878                 | 4,076                 | 2,263            |
| Taxes and licenses                            | --                     | --   | 138                          | --              | --                              | --                      | --                | --                     | 138                   | 1,786                             | --                  | 1,924                 | 1,574            |
|   | <b>\$87,430</b>        | <b>\$30,884</b>                              | <b>\$36,297</b>              | <b>\$7,125</b>  | <b>\$32,018</b>                 | <b>\$1,766</b>          | <b>\$8,760</b>    | <b>\$194,907</b>       | <b>\$399,187</b>      | <b>\$83,789</b>                   | <b>\$129,734</b>    | <b>\$612,710</b>      | <b>\$520,510</b> |

See independent accountant's review report on the supplementary information.