

Pacific Education Institute

Financial Report
Reviewed
December 31, 2015

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RSM US LLP

Independent Accountant's Review Report

To the Board of Directors
Pacific Education Institute
Olympia, Washington

We have reviewed the accompanying financial statements of Pacific Education Institute, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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'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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

RSM US LLP

Tacoma, Washington
May 13, 2016

Pacific Education Institute

Balance Sheets

December 31, 2015 and 2014

See Independent Accountant's Review Report

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 329,910	\$ 209,833
Certificates of deposit	100,000	225,000
Grants and pledges receivable	152,187	47,813
Accounts receivable	14,274	17,432
Prepaid expenses and other assets	10,132	1,856
Materials inventory	18,401	7,238
	<hr/>	<hr/>
Total assets	\$ 624,904	\$ 509,172
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 64,958	\$ 67,251
Accrued payroll liabilities	2,334	336
Total liabilities	<hr/> 67,292	<hr/> 67,587
Net assets:		
Unrestricted:		
Board designated operating reserve	255,000	225,000
Undesignated	114,923	90,692
Temporarily restricted	187,689	125,893
Total net assets	<hr/> 557,612	<hr/> 441,585
	<hr/>	<hr/>
Total liabilities and net assets	\$ 624,904	\$ 509,172
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

Pacific Education Institute

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2015 and 2014
See Independent Accountant's Review Report

	Unrestricted		Temporarily Restricted		Total	
	2015	2014	2015	2014	2015	2014
Support and revenue:						
Contributions	\$ 322,727	\$ 330,906	\$ 433,471	\$ 358,084	\$ 756,198	\$ 688,990
Interest	1,160	453	-	-	1,160	453
Other	48,227	44,636	-	-	48,227	44,636
Released from restrictions	371,675	328,326	(371,675)	(328,326)	-	-
Total support and revenue	743,789	704,321	61,796	29,758	805,585	734,079
Expenses:						
Programs	479,785	399,187	-	-	479,785	399,187
General and administrative	87,971	83,789	-	-	87,971	83,789
Fundraising	121,802	129,734	-	-	121,802	129,734
Total expenses	689,558	612,710	-	-	689,558	612,710
Changes in net assets	54,231	91,611	61,796	29,758	116,027	121,369
Net assets:						
Beginning of year	315,692	224,081	125,893	96,135	441,585	320,216
End of year	\$ 369,923	\$ 315,692	\$ 187,689	\$ 125,893	\$ 557,612	\$ 441,585

See notes to financial statements.

Pacific Education Institute

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

See Independent Accountant's Review Report

	2015	2014
Cash flows from operating activities:		
Changes in net assets	\$ 116,027	\$ 121,369
Changes in assets and liabilities:		
(Increase) decrease in receivables	(101,216)	44,709
Increase in prepaid expenses and other assets	(8,276)	(863)
Increase in inventory	(11,163)	(7,238)
(Decrease) increase in accounts payable and accrued payroll liabilities	(295)	33,998
Net cash (used in) provided by operating activities	(4,923)	191,975
Cash flows from investing activities:		
Sale (purchase) of certificate of deposit	125,000	(100,000)
Net increase in cash and cash equivalents	120,077	91,975
Cash and cash equivalents:		
Beginning of year	209,833	117,858
End of year	\$ 329,910	\$ 209,833

See notes to financial statements.

Pacific Education Institute

Notes to Financial Statements

See Independent Accountant's Review Report

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. Using the context of the environment, the Organization provides schools and teachers with tools and support to help students become socially and scientifically literate citizens, adept at critical thinking.

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 \$187,689 and \$125,893 at December 31, 2015 and 2014, respectively. The Organization had no permanently restricted net assets.

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.

Pacific Education Institute

Notes to Financial Statements

See Independent Accountant's Review Report

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

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, 2015 and 2014.

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. Revenue on cost-reimbursement grants is recognized when the related services are performed or the costs incurred.

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, 2015 and 2014.

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 2012.

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.

Recent accounting pronouncement: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Pacific Education Institute

Notes to Financial Statements
See Independent Accountant's Review Report

Note 2. Restrictions on Net Assets

Temporarily restricted net assets are as follows at December 31, 2015 and 2014:

	2015		2014
Purpose restrictions:			
Regional program delivery	\$ 187,689	\$	110,893
Research	-		15,000
Total temporarily restricted net assets	<u>\$ 187,689</u>	<u>\$</u>	<u>125,893</u>

During 2015 and 2014, net assets were released totaling \$371,675 and \$328,326, respectively, related to the allowed expenses associated with purpose restrictions.

Note 3. Support from Related Party

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, a key Organization staff member and significant organizational support are provided by direct and indirect financial support from the Association. The Association contributed approximately \$145,000 and \$209,000 of services and support to the Organization for the years ended December 31, 2015 and 2014, respectively, which are included in contributions on the accompanying statements of activities and changes in net assets. Cash contributions were approximately \$26,500 and \$18,000 for the years ended December 31, 2015 and 2014, respectively. The Association intends to substantially decrease its level of funding incrementally over four years, beginning in 2014; although, individual members of the Association will continue to provide support through direct contributions to the Organization.

Note 4. Significant New Funding

The Organization was awarded \$1,000,000 in state funding through the Office of Superintendent of Public Instruction for the period November 2015 through June 2017. This funding is intended to scale-up the Organization program activities, specifically, implementing FieldSTEM learning across K-12. It is the Organization's intent to secure this funding on an ongoing basis.

Note 5. Subsequent Events

Events that occurred subsequent to year-end have been evaluated by the Organization's management through May 13, 2016, which is the date the financial statements were available to be issued.



RSM US LLP

Independent Accountant's 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.

RSM US LLP

Tacoma, Washington
May 13, 2016

Pacific Education Institute

Schedule of Functional Expenses

Year Ended December 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

See Independent Accountant's Report on the Supplementary Information

Programs

	General Program	Educational Activities & Outreach	Materials Development	Research	Professional Development
Consultants:					
Evaluation/documentation	\$ 1,958	\$ -	\$ -	\$ 27,130	\$ -
Curriculum development	-	-	23,622	-	-
Program coordination and delivery	25	7,500	-	-	(940)
Program planning and other services	20,000	-	-	-	-
Workshop expenses:					
Presenters/instructors	-	-	2,660	-	7,196
Facilities/meeting	-	15	420	-	3,236
Substitutes/educator stipends	-	-	4,201	-	-
Curriculum and materials	-	835	2,076	-	3,423
Conferences and training	159	3,511	-	-	-
School district supplies, equipment and other	-	-	-	-	-
Special events/recognitions	-	-	-	-	-
Salaries and benefits	95,487	9,352	18,276	1,849	9,212
Meals and travel	1,951	536	762	165	515
Meetings	235	-	-	-	-
Professional services	3,541	639	1,543	2,456	667
Dues and contributions	489	-	-	-	-
Printing and publications	-	350	-	-	-
Website and communications	791	143	344	195	149
Rent	899	162	392	221	169
Office	2,318	532	1,339	581	697
General/miscellaneous	363	65	158	89	69
Insurance	777	140	339	191	146
Taxes and licenses	-	-	-	-	89
	\$ 128,993	\$ 23,780	\$ 56,132	\$ 32,877	\$ 24,628

Invasive Species	District FieldSTEM	Regional Models	Total Programs	General and Admini- strative	Fund- raising	Total Expenses	
						2015	2014
\$ -	\$ -	\$ -	\$ 29,088	\$ -	\$ -	\$ 29,088	\$ 6,814
-	-	6,351	29,973	-	-	29,973	22,479
560	-	38,243	45,388	-	-	45,388	68,013
-	1,500	-	21,500	-	-	21,500	1,076
-	-	45,253	55,109	-	-	55,109	38,444
-	-	5,842	9,513	-	-	9,513	4,430
-	-	19,639	23,840	-	-	23,840	28,456
-	-	6,770	13,104	-	-	13,104	8,793
-	-	10	3,680	319	1,818	5,817	6,953
-	-	3,169	3,169	-	-	3,169	2,560
-	-	-	-	-	7,567	7,567	8,593
3,154	8,944	53,403	199,677	59,699	88,631	348,007	316,728
-	206	5,745	9,880	4,020	1,335	15,235	11,510
-	-	-	235	1,053	-	1,288	2,075
112	315	5,377	14,650	11,840	11,360	37,850	48,613
-	-	-	489	-	295	784	374
-	-	-	350	594	1,048	1,992	2,588
25	70	1,200	2,917	663	1,484	5,064	4,168
28	80	1,365	3,316	1,912	2,734	7,962	8,401
73	205	3,793	9,538	3,998	4,768	18,304	12,416
11	32	624	1,411	853	607	2,871	3,226
26	69	1,181	2,869	1,252	155	4,276	4,076
-	-	-	89	1,768	-	1,857	1,924
<u>\$ 3,989</u>	<u>\$ 11,421</u>	<u>\$ 197,965</u>	<u>\$ 479,785</u>	<u>\$ 87,971</u>	<u>\$ 121,802</u>	<u>\$ 689,558</u>	<u>\$ 612,710</u>