

Pacific Education Institute

Financial Report
Reviewed
June 30, 2016

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Independent Accountant's Review Report

RSM US LLP

To the Board of Directors
Pacific Education Institute

We have reviewed the accompanying financial statements of Pacific Education Institute, which comprise the balance sheet as of June 30, 2016, the related statements of activities and changes in net assets, and cash flows for the period January 1, 2016 through June 30, 2016, 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 engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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.

Other Matter

The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

RSM US LLP

Tacoma, Washington
December 8, 2016

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Pacific Education Institute

Balance Sheet

June 30, 2016

See Independent Accountant's Review Report

Assets

Current assets:

Cash and cash equivalents	\$	285,305
Certificates of deposit		300,000
Grants and pledges receivable		79,458
Accounts receivable		4,845
Prepaid expenses and other assets		9,785
Materials inventory		8,334

Total assets	\$	687,727
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	59,990
Accrued payroll liabilities		3,908
Total liabilities		63,898

Net assets:

Unrestricted:		
Board designated operating reserve		316,920
Undesignated		240,636
Total unrestricted		557,556
Temporarily restricted		66,273
Total net assets		623,829

Total liabilities and net assets	\$	687,727
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See notes to financial statements.

Pacific Education Institute

Statement of Activities and Changes in Net Assets
For the Period January 1, 2016 Through June 30, 2016
See Independent Accountant's Review Report

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Government support	\$ 277,382	\$ 152,470	\$ 429,852
Contributions	172,424	21,000	193,424
Interest	601	-	601
Other	-	13,410	13,410
Released from restrictions	308,296	(308,296)	-
Total support and revenue	758,703	(121,416)	637,287
Expenses:			
Programs	428,036	-	428,036
General and administrative	77,838	-	77,838
Fundraising	65,196	-	65,196
Total expenses	571,070	-	571,070
Change in net assets	187,633	(121,416)	66,217
Net assets:			
Beginning of period	369,923	187,689	557,612
End of period	\$ 557,556	\$ 66,273	\$ 623,829

See notes to financial statements.

Pacific Education Institute

Statement of Cash Flows

For the Period January 1, 2016 Through June 30, 2016

See Independent Accountant's Review Report

Cash flows from operating activities:	
Change in net assets	\$ 66,217
Changes in assets and liabilities:	
Receivables	82,158
Prepaid expenses and other assets	347
Materials inventory	10,067
Accounts payable and accrued payroll liabilities	(3,394)
Net cash provided by operating activities	<u>155,395</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	<u>(200,000)</u>
Decrease in cash and cash equivalents	(44,605)
Cash and cash equivalents:	
Beginning of period	<u>329,910</u>
End of period	<u><u>\$ 285,305</u></u>

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: The Pacific Education Institute (the Organization) is a statewide 501(c)(3) not-for-profit corporation, incorporated in March of 2003 under the laws of the State of Washington. The Organization, whose vision is scientifically literate citizens making balanced decision for a thriving future, specializes in professional learning and consultation services for educators. The Organization's mission is to advance science literacy and deepen student engagement by empowering educators to teach real-world science outdoors.

The Organization changed their fiscal year-end from December 31 to June 30, effective January 1, 2016.

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. 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 and certificates of deposit purchased with an original maturity of three months or less to be cash equivalents.

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 June 30, 2016.

Materials 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 June 30, 2016.

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 2013.

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 pronouncements: In May 2014, the Financial Accounting Standards Board (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 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. Early application of the amendments is permitted. Management is currently evaluating the potential impact that the adoption of this update will have on its financial reporting.

In September 2016, the FASB issues ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new standard addresses diversity in how certain cash receipts and cash payments are presented and classified on the statement of cash flows. The amendments provide guidance on the following eight specific cash flow issues. The amendments are effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. Management has not yet determined the effect of the adoption of this guidance on the Organization's financial statements.

Note 2. Restrictions on Net Assets

Temporarily restricted net assets are as follows at June 30, 2016:

Purpose restrictions:

Preservice program/professional development	\$ 4,200
Regional program delivery	59,673
Research	2,400
Total temporarily restricted net assets	<u>\$ 66,273</u>

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 \$54,000 and of services and support to the Organization for the period January 1, 2016 through June 30, 2016, which are included in contributions on the accompanying statement of activities and changes in net assets. The Association intends to end its support and funding effective December 31, 2016; although, individual members of the Association will continue to provide support through direct contributions to the Organization.

Pacific Education Institute

Notes to Financial Statements

See Independent Accountant's Review Report

Note 4. Major Funding

The Organization was awarded \$1,000,000 in state funding through the Office of Superintendent of Public Instruction (OSPI) 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. Support from OSPI represented 68 percent of total revenues for the period January 1, 2016 through June 30, 2016, and 79 percent of grants and pledges receivables at June 30, 2016.

Note 5. Subsequent Events

Events that occurred subsequent to year-end have been evaluated by the Organization's management through December 8, 2016, which is the date the financial statements were available to be issued.

Pacific Education Institute

Schedule of Functional Expenses

For the Period January 1, 2016 Through June 30, 2016

See Independent Accountant's Review Report

	Programs				
	General Program	Educational Activities & Outreach	Materials Development	Research	Professional Development
Consultants:					
Evaluation/documentation	\$ -	\$ 29,983	\$ -	\$ 9,924	\$ -
Curriculum development	-	-	1,665	-	-
Program coordination and delivery	-	1,300	-	-	-
Program planning and other services	-	55,000	-	-	-
Workshop expenses:					
Presenters/instructors	-	-	-	-	2,703
Facilities/meeting	75	-	-	-	225
Substitutes/educator stipends	-	-	-	-	-
Curriculum and materials	-	1,680	337	7	4,770
Conferences and training	-	1,915	-	-	-
School district supplies, equipment and other	-	-	-	-	-
Special events/recognitions	-	-	-	-	-
Salaries and benefits	40,029	26,287	7,672	5,610	5,940
Meals and travel	409	3,840	115	-	172
Meetings	4	12	1	2	1
Professional services	3,920	11,066	921	1,480	1,299
Dues and contributions	18	94	4	7	6
Printing and publications	4	12	1	2	1
Website and communications	120	359	29	46	397
Rent	300	869	72	116	102
Office	423	1,302	114	164	194
General/miscellaneous	65	247	16	25	36
Insurance	156	453	38	61	53
Taxes and licenses	-	-	-	-	-
	<u>\$ 45,523</u>	<u>\$ 134,419</u>	<u>\$ 10,985</u>	<u>\$ 17,444</u>	<u>\$ 15,899</u>

Invasive Species	District FieldSTEM	Regional Models	Total Programs	General and Administrative	Fund-raising	Total Expenses
\$ -	\$ -	\$ -	\$ 39,907	\$ -	\$ -	\$ 39,907
-	12,475	-	14,140	-	-	14,140
840	-	12,925	15,065	100	-	15,165
-	318	-	55,318	-	-	55,318
-	23,541	13,322	39,566	-	-	39,566
-	23,361	3,793	27,454	-	-	27,454
-	-	13,614	13,614	-	-	13,614
-	2,283	3,794	12,871	-	-	12,871
-	-	-	1,915	-	219	2,134
-	-	-	-	-	-	-
-	-	-	-	-	9,643	9,643
1,183	24,319	35,642	146,682	53,810	41,524	242,016
-	2,419	8,440	15,395	903	899	17,197
-	9	9	38	411	79	528
193	8,221	7,915	35,015	15,784	8,468	59,267
1	38	37	205	-	-	205
-	9	162	191	38	-	229
6	258	248	1,463	539	883	2,885
15	646	622	2,742	1,214	1,040	4,996
21	1,228	911	4,357	2,394	1,876	8,627
3	141	136	669	1,077	560	2,306
8	336	324	1,429	672	5	2,106
-	-	-	-	896	-	896
<u>\$ 2,270</u>	<u>\$ 99,602</u>	<u>\$ 101,894</u>	<u>\$ 428,036</u>	<u>\$ 77,838</u>	<u>\$ 65,196</u>	<u>\$ 571,070</u>