

PACIFIC EDUCATION INSTITUTE
REVIEW OF COMPARATIVE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Pacific Education Institute
Olympia, Washington

We have reviewed the accompanying financial statements of Pacific Education Institute (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review primarily consists of applying analytical procedures to management's financial data and making inquiries of company 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 review, 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.

Report on 2018 Financial Statements

The financial statements of Pacific Education Institute as of June 30, 2018, were reviewed by other accountants whose report dated October 8, 2018, stated that based on their procedures, they 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.

Patricia L. Pich, CPA, PLLC

Patricia L. Pich, CPA, PLLC
Tumwater, Washington
November 27, 2019

PACIFIC EDUCATION INSTITUTE
COMPARATIVE STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets		
Cash and Equivalents	\$ 135,198	\$ 71,373
Certificates of Deposit	140,000	325,000
Grants and Pledges Receivable	180,507	51,580
Accounts Receivable	10,303	22,565
Prepaid Expenses	4,546	4,421
Inventory	<u>8,290</u>	<u>8,203</u>
 Total assets	 <u>\$ 478,845</u>	 <u>\$ 483,142</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts Payable	\$ 65,108	\$ 49,989
Accrued Liabilities	<u>33,266</u>	<u>30,148</u>
Total liabilities	<u>98,374</u>	<u>80,137</u>
Net Assets		
Without donor designation	339,667	294,956
With donor designation	<u>40,804</u>	<u>108,049</u>
Total net assets	<u>380,471</u>	<u>403,005</u>
 Total liabilities and net assets	 <u>\$ 478,845</u>	 <u>\$ 483,142</u>

The accompanying notes are an integral part of these financial statements.
See Independent Accountant's Report

PACIFIC EDUCATION INSTITUTE
COMPARATIVE STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Without Donor Restriction	With Donor Restriction	2019	2018
Support and Revenue				
Government support	\$ 292,534	\$ 480,606	\$ 773,140	\$ 509,478
Non-governmental grants	66,179	66,467	132,646	117,671
Contributions	73,029	45,679	118,708	104,734
Program income	-	95,064	95,064	60,088
Event income	11,434	-	11,434	-
Products/ material income	-	9,495	9,495	6,383
Other income	525	-	525	1,113
Interest	2,871	-	2,871	5,450
Total revenue	446,572	697,310	1,143,882	804,917
Net assets released from restrictions	764,555	(764,555)	-	-
Total support and revenue	1,211,127	(67,245)	1,143,882	804,917
Expenses				
Program services				
Statewide Program Delivery	565,099	-	565,099	384,776
Regional Program Delivery	329,951	-	329,951	345,594
Total program services	895,050	-	895,050	730,370
Supporting services				
Administrative	169,113	-	169,113	179,600
Fundraising	102,252	-	102,252	121,193
Total supporting services	271,366	-	271,366	300,793
Total program and supporting services	1,166,415	-	1,166,415	1,031,163
(Decrease) in net assets	44,712	(67,245)	(22,533)	(226,246)
Net assets, July 1	294,956	108,049	403,005	629,251
Net assets, June 30	\$ 339,667	\$ 40,804	\$ 380,471	\$ 403,005

The accompanying notes are an integral part of these financial statements.
See Independent Accountant's Report

PACIFIC EDUCATION INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE 2018 TOTALS

	Statewide Program Delivery	Regional Program Delivery	Total Program Services	Administration	Fundraising	2019 Total	2018 Totals
Personnel costs	\$ 213,634	\$ 172,040	\$ 385,675	\$ 119,549	52,152	\$ 557,376	\$ 596,276
Salaries	17,868	14,441	32,309	10,133	3,782	46,224	49,048
Payroll Taxes	26,752	21,250	48,001	12,628	8,905	69,533	70,836
Benefits	258,254	207,731	465,985	142,309	64,839	673,133	716,160
Total personnel costs							
Consultants:							
Faculty and facilitators	111,691	40,150	151,841	-	-	151,841	59,036
Resource development	-	-	-	-	-	-	2,100
Research and evaluation	15,000	1,200	16,200	-	-	16,200	19,944
Faculty/ facilitators expense	17,912	4,852	22,764	-	-	22,764	9,598
Program Delivery:							
Facilities and meeting expenses	10,761	6,425	17,185	-	44.54	17,230	33,741
Copies and printing	561	1,600	2,162	-	-	2,162	3,026
Substitutes/ educator stipends	44,983	40,440	85,423	-	-	85,423	29,910
Participants travel expenses	6,291	426	6,717	-	-	6,717	8,325
Professional services	24,488	-	24,488	9,345	14,648	48,480	40,143
Meals and travel	32,063	16,989	49,052	1,848	507	51,408	38,317
Rent	13,170	-	13,170	6,879	3,951	24,000	12,900
Curriculum and materials	9,140	3,628	12,768	-	-	12,768	15,984
Office	3,796	3,377	7,173	1,070	630	8,873	6,742
Conferences and trainings	3,358	1,300	4,658	775	353	5,785	5,635
Website and communications	3,163	11	3,173	371	305	3,849	4,177
Insurance	3,834	524	4,358	1,340	353	6,051	4,691
Printing and copying	732	-	732	1,216	850	2,797	3,211
Marketing and promotion	1,305	210	1,515	61	64	1,640	2,423
School district supplies, equipment,	1,994	254	2,248	-	-	2,248	1,727
Furniture and equipment	214	-	214	66	57	336	1,744
Meetings	286	256	542	471	33	1,045	1,747
Postage	340	178	518	248	823	1,589	1,507
Taxes and licenses	705	-	705	2,544	970	4,220	3,754
Special event/ recognition	48	-	48	509	13,828	14,385	3,380
General/ miscellaneous	1,008	401	1,409	62	-	1,471	1,241
Total expenses	\$ 565,099	\$ 329,951	\$ 895,050	\$ 169,113	\$ 102,252	\$ 1,166,415	\$ 1,031,163

The accompanying notes are an integral part of these financial statements. See Independent Accountant's Report.

PACIFIC EDUCATION INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Decrease in net assets	\$ (22,533)	\$ (226,246)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Increase) decrease in accounts receivable	(116,666)	68,113
(Increase) decrease in prepaid expenses	(125)	965
(Increase) decrease in materials inventory	(87)	3,366
Increase (decrease) in accounts payables	15,119	(18,595)
Increase in accrued liabilities	3,118	7,769
Total adjustments	<u>(98,642)</u>	<u>61,618</u>
Net cash provided by operating activities	<u>(121,175)</u>	<u>(164,628)</u>
Cash flows from investing activities		
Sale of certificates of deposit	325,000	75,000
Purchase of certificates of deposit	<u>(140,000)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>185,000</u>	<u>75,000</u>
Net increase in cash	63,825	(89,628)
Cash, July 1	<u>71,373</u>	<u>161,001</u>
Cash, June 30	<u>\$ 135,198</u>	<u>\$ 71,373</u>

The accompanying notes are an integral part of these financial statements.
See Independent Accountant's Report

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies

Organization and Purpose

The Pacific Education Institute (the Organization) is a statewide 501(c)(3) not-for-profit corporation, incorporated in March 2003 under the laws of the State of Washington. The Organization's mission is to advance science literacy and deepen student engagement by empowering educators to teach real-world science outdoors. Approximately 66% of the Organization's funding is provided from governmental grants. Other support is provided by non-governmental grants, contributions, and program fees.

Comparative Statements

The financial statements include certain prior year summarized comparative information in total but not by functional category that was reviewed by another accountant, dated October 8, 2018. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets without donor designations are resources available to support operations. The only limits on the use of unrestricted net assets are the board limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in the corporate documents and its application for tax-exempt status.

Functional expenses are allocated directly to the program if identified as a direct program expense. Payroll costs are being allocated based on time expended by staff on specific programs. Advertising costs are expensed as incurred.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking accounts and, money market accounts. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts 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 quarterly 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 uncollectable. Recoveries of receivables previously written off are recorded when received. Management has determined that no allowance is necessary for bad debt at June 30, 2019 and 2018.

Materials Inventory

Inventory consist of materials to be used to support the Organization's programs and is valued at the lower of cost (first-in, first-out) or market.

Fixed Assets

Expenditures for equipment with a cost greater than \$1,000 are capitalized. Depreciation is computed using a straight-line method over the estimated useful lives of the assets. The Organization currently does not have any capitalized fixed assets.

Use of Estimates

Management used estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Designation: Net assets available for use in general operation and not subject to donor (or certain grantor) restrictions. This could also include board designated funds for a specific purpose.

Net Assets With Donor Designation: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support and Revenue Recognition

Contributions that are restricted by the donor are reported as increases in net assets without donor designation if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in donor designated net assets, depending on the nature of the restrictions. When a restriction expires, donor designated net assets are reclassified to without donor designation net assets and reported in the statement of activities as net assets released from restrictions.

Grant and contract revenue is recognized at the time the Organization has performed the services and has right of claim. Expenses are recognized when a liability for goods or services arises regardless of time of payment.

Functional Allocation of Expenses

The cost of providing the Organization's programs and supporting services are summarized on a functional basis in the statement of activities based upon management's studies of cost attributable to the programs and support services.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Federal Income Taxes

Pacific Education Institute is exempt from Federal income taxes under section 501 (c) (3) of the Internal Revenue Code and is not a private foundation. Any unrelated business income would be subject to income tax. There was no unrelated business income for 2019 and 2018. Therefore, no provision for income taxes is included in the financial statements. All tax filings are current.

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 2016.

Reclassification

Certain accounts in the prior-year financial statements that were reviewed by another accountant dated October 8, 2018, have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contract 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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation of these financial statements accordingly.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through November 27, 2019, the date that the financial statements were available to be issued. No significant events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

Concentration of Risk

The Organization receives a substantial amount of its revenue through government grants or contracts. If a significant reduction in these contracted services should occur this may have a significant effect on the Organization's programs and activities.

Liquidity and Availability

Financial assets available for general expenditure, which is without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following.

Cash and cash equivalents	\$ 94,394
Short-term certificates of deposit	140,000
Accounts receivable	<u>190,811</u>
Total	<u>\$ 425,205</u>

The Organization's liquidity of cash and cash equivalents were reduced by \$40,804 due to the nature of the cash designated for a purpose by the donor which has not yet been satisfied.

The Organization's Board has designated net assets to sustain operations and promote growth in the event of cash flow delays. The Board has elected to invest these funds in the certificates of deposit which are included on the accompanying balance sheets, consistent with the Organization's investment policy. As of June 30, 2019, the balance of Board designated net assets was \$294,955.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Related Parties

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's by-laws state that the board composition consists of the Executive Director of the Association participating in an ex officio director position. Pacific Education Institute has a month-to-month lease from the Association for rental of space for its administrative and work program spaces. The lease expense for 2019 is \$24,000 and 2018 was \$12,900.

Major Funding

The Organization was awarded \$1,000,000 in state funding through the Office of Superintendent of Public Instruction (OSPI) for the period July 2017 through June 2019. This funding is intended to continue to scale-up the Organization program activities, specifically, implementing FieldSTEM learning across K-12 statewide. It is the Organization's intent to secure this funding on an ongoing basis. Support from OSPI represented 45 percent and 64 percent of total revenues for the years ended June 30, 2019 and 2018, respectively, and 59 percent and 85 percent of grants and pledges receivable at June 30, 2019 and 2018, respectively.

Fair Value Measurement

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Pacific Education Institute has the ability to access.

Level 2: Inputs to valuation methodology include:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in inactive markets.
- c) Inputs other than quoted prices that is observable for the asset or liability.
- d) Inputs that are principally from or corroborated by observable market data by correlation or other means

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization's financial instruments of cash, accounts receivable, and accounts payable are recorded at their approximate fair values based on their short-term nature.

The following methods and assumptions were used by Pacific Education Institute in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts in the statement of financial position approximate fair value because of the short maturities of those instruments and the fact that any interest has been accrued.

Accounts receivable: The value shown on the statement of financial position approximates fair value because of the collection and payment history of Pacific Education Institute's funding sources.

Since there is no difference between the carrying value on the statement of financial position and fair value, refer to that statement for fair value. The amounts are measured on a recurring basis.

The Organization has determined the fair value of certain assets and liabilities.

Fair value of assets measured on a recurring basis at June 30 is as follows:

	Year Ended June 30, 2019			
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash & cash equivalents	\$ 135,198	\$ -	\$ -	\$ 135,198
Certificates of Deposit	140,000			140,000
Accounts Receivable	<u>190,811</u>	<u>-</u>	<u>-</u>	<u>190,811</u>
	<u>\$ 466,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,009</u>

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

	Year Ended June 30, 2018			
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash & cash equivalents	\$ 71,373	\$ -	\$ -	\$ 71,373
Certificates of deposit	325,000	-	-	325,000
Accounts Receivable	<u>74,145</u>	<u>-</u>	<u>-</u>	<u>74,145</u>
	<u>\$ 470,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 470,518</u>

Pledges Receivable

The pledges receivable consists of an operating fund-raising campaign. At June 30, 2019, all pledge receivables are expected to be collected during the next year. Management has determined that the pledge receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2019. The balance of pledges receivable at June 30, 2019 and 2018 were \$5,635 and \$580 respectively.

Accrued Liabilities

Accrued liabilities consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accrued compensated absences	<u>33,144</u>	<u>30,148</u>
Total accrued liabilities	<u>\$ 33,144</u>	<u>\$ 30,148</u>

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Net Assets Without Donor Designation

Board-designated Operating Reserve

The Organization's governing Board has directed that certain unrestricted net assets be further classified as either designated or undesignated. The Organization's Board has designated net assets to sustain operations and promote growth in the event of cash flow delays. The Board has elected to invest these funds in the certificates of deposit which are included on the accompanying balance sheets, consistent with the Organization's investment policy. The Board designated operating reserves at years ending June 30, 2019 and 2018 were \$294,955 and \$294,956 respectively.

Net Assets with Donor Designations

Net assets with donor designations are designated for the following purposes or periods as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Preservice program/professional development	\$ 9,141	\$ 68,963
Regional program delivery	<u>3,663</u>	<u>39,086</u>
Total donor designated net assets	<u>\$ 40,804</u>	<u>\$ 108,049</u>

Fund-Raising Expense

Total fund-raising expense for the year ended June 30, 2019 was \$102,252. Fund-raising expenses related to the annual event totaled \$13,828 or 11% of the total event and contribution revenue. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.