

PACIFIC EDUCATION INSTITUTE
REVIEW OF COMPARATIVE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019



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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, 2020, 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.

Summarized Comparative Information

We previously reviewed *Pacific Education Institute's* 2019 financial statements and in our conclusion dated November 27, 2019, state that based on our review, we were not aware of any material modifications that should be made to the 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2019, for it to be consisted with the reviewed financial statements from which it was derived.

A handwritten signature in blue ink that reads "Patricia L. Pich CPA, PLLC". The signature is written in a cursive, flowing style.

Patricia L. Pich, CPA, PLLC
Olympia, Washington
November 20, 2020

PACIFIC EDUCATION INSTITUTE
COMPARATIVE STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets		
Cash and Equivalents	\$ 485,933	\$ 135,198
Certificates of Deposit	103,000	140,000
Grants and Pledges Receivable	166,135	180,507
Accounts Receivable	2,538	10,303
Prepaid Expenses	4,765	4,546
Inventory	8,302	8,290
Total assets	<u>\$ 770,672</u>	<u>\$ 478,845</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts Payable	\$ 19,524	\$ 65,108
Accrued Liabilities	38,222	33,266
Current portion of conditional note payable	14,938	-
Total current liabilities	<u>72,684</u>	<u>98,374</u>
Long-term liabilities		
Conditional note payable	118,441	-
Total liabilities	<u>191,125</u>	<u>98,374</u>
Net Assets		
Without donor designation	317,540	339,667
With donor designation	262,007	40,804
Total net assets	<u>579,547</u>	<u>380,471</u>
Total liabilities and net assets	<u>\$ 770,672</u>	<u>\$ 478,845</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, 2020 AND 2019

	Without Donor Restriction	With Donor Restriction	2020	2019
Support and Revenue				
Government support	\$ 288,626	\$ 635,222	\$ 923,848	\$ 773,140
Non-governmental grants	14,000	74,400	88,400	132,646
Conditional contributions	-	220,000	220,000	-
Contributions	75,939	13,202	89,141	118,708
Program income	-	37,143	37,143	95,064
Event income	2,955	-	2,955	11,434
Products/ material income	-	2,965	2,965	9,495
Other income	1,274	106	1,380	525
Interest	2,993	-	2,993	2,871
Total revenue	<u>385,788</u>	<u>983,038</u>	<u>1,368,826</u>	<u>1,143,882</u>
Net assets released from restrictions	<u>761,835</u>	<u>(761,835)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,147,623</u>	<u>221,203</u>	<u>1,368,826</u>	<u>1,143,882</u>
Expenses				
Program services				
Statewide Program Delivery	688,667	-	688,667	565,099
Regional Program Delivery	<u>250,293</u>	<u>-</u>	<u>250,293</u>	<u>329,951</u>
Total program services	<u>938,960</u>	<u>-</u>	<u>938,960</u>	<u>895,050</u>
Supporting services				
Administrative	165,563	-	165,563	169,113
Fundraising	<u>65,226</u>	<u>-</u>	<u>65,226</u>	<u>102,252</u>
Total supporting services	<u>230,789</u>	<u>-</u>	<u>230,789</u>	<u>271,365</u>
Total program and supporting services	<u>1,169,749</u>	<u>-</u>	<u>1,169,749</u>	<u>1,166,415</u>
Increase (decrease) in net assets	(22,126)	221,203	199,077	(22,533)
Net assets, July 1	<u>339,667</u>	<u>40,804</u>	<u>380,471</u>	<u>403,005</u>
Net assets, June 30	<u>\$ 317,540</u>	<u>\$ 262,007</u>	<u>\$ 579,547</u>	<u>\$ 380,471</u>

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, 2020 WITH COMPARATIVE 2019 TOTALS

	Statewide Program Delivery	Regional Program Delivery	Total Program Services	Administration	Fundraising	2020 Total	2019 Totals
Personnel costs							
Salaries	\$ 252,532	\$ 147,406	\$ 399,938	\$ 114,446	37,038	\$ 551,421	\$ 557,376
Payroll Taxes	22,033	12,600	34,633	9,951	3,296	47,881	46,224
Benefits	33,844	16,612	50,456	17,829	6,702	74,988	69,533
Total personnel costs	308,409	176,618	485,027	142,226	47,037	674,290	673,133
Consultants:							
Faculty and facilitators	146,277	8,000	154,277	-	-	154,277	151,841
Research and evaluation	31,185	-	31,185	-	-	31,185	16,200
Faculty/ facilitators expense	8,172	728	8,900	-	-	8,900	22,764
Program Delivery:							
Facilities and meeting expenses	9,257	12,274	21,531	-	-	21,531	17,230
Copies and printing	700	331	1,031	-	-	1,031	2,162
Substitutes/ educator stipends	72,988	42,663	115,651	-	-	115,651	85,423
Participants travel expenses	14,429	221	14,650	-	-	14,650	6,717
Professional services	23,445	-	23,445	8,500	10,060	42,005	48,480
Meals and travel	28,271	5,478	33,749	903	502	35,154	51,408
Rent	16,385	-	16,385	5,307	2,307	24,000	24,000
Curriculum and materials	5,274	2,781	8,056	-	-	8,056	12,768
Office	3,215	453	3,668	1,308	438	5,414	8,873
Conferences and trainings	3,811	-	3,811	223	-	4,034	5,785
Website and communications	3,823	120	3,943	517	244	4,703	3,849
Insurance	3,398	201	3,599	1,214	243	5,055	6,051
Printing and copying	1,207	3	1,210	1,174	461	2,845	2,797
Marketing and promotion	194	45	239	-	-	239	1,640
School district supplies, equipment,	702	-	702	-	-	702	2,248
Furniture and equipment	1,930	108	2,038	250	-	2,288	336
Meetings	1,463	-	1,463	837	-	2,300	1,045
Postage	918	119	1,037	131	750	1,918	1,589
Taxes and licenses	2,041	-	2,041	2,398	678	5,117	4,220
Special event/ recognition	-	100	100	367	2,506	2,973	14,385
General/ miscellaneous	1,172	50	1,222	-	-	1,222	1,471
Interest expense	-	-	-	208	-	208	-
Total expenses	\$ 688,667	\$ 250,293	\$ 938,960	\$ 165,563	\$ 65,226	\$ 1,169,749	\$ 1,166,415

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 199,077	\$ (22,533)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Decrease (increase) in accounts receivable	22,138	(116,666)
(Increase) in prepaid expenses	(218)	(125)
(Increase) in materials inventory	(12)	(87)
(Decrease) increase in accounts payables	(45,583)	15,119
Increase in accrued liabilities	4,956	3,118
Total adjustments	(18,720)	(98,642)
Net cash provided (used) by operating activities	180,357	(121,175)
Cash flows from investing activities		
Sale of certificates of deposit	140,000	325,000
Purchase of certificates of deposit	(103,000)	(140,000)
Net cash provided by investing activities	37,000	185,000
Cash flows from financing activities		
Proceeds received from PPP loan	133,379	-
Net cash provided by financing activities	133,379	-
Net increase in cash	350,735	63,825
Cash, July 1	135,198	71,373
Cash, June 30	\$ 485,933	\$ 135,198

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

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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. PEI empowers educators to advance scientific literacy by promoting equitable, outdoor, locally relevant, integrated, career connected, real world science. 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 net asset class. Such information does not include sufficient details 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, 2019, from which the summarized data 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 (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents consist of cash in checking, savings, 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.

The Organization maintains cash balances at Bank of America. At times during the year ended June 30, 2020, balances on deposit at Bank of America exceeded Federal Deposit Insurance Corporation (FDIC) insured limits. The uninsured balances totaled approximately \$232,686 on June 30, 2020.

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. Recoveries of receivables previously written off are recorded when received. Management has determined that no allowance is necessary for bad debt on June 30, 2020 and 2019.

Materials Inventory

Inventories 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, 2020 AND 2019

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

Pacific Education Institute's revenues are recognized in the year when transfers of services are met per the individual service contracts, support is recognized in the year it is unconditionally promised, and expenses are reported in the year incurred.

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 obligations 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 (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 2020 and 2019. 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 2017.

Reclassification

Certain accounts in the prior-year financial statements 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. We have evaluated the Organization's revenues and concluded that the entity does not have any contracts, grants, or contributions currently or previously that would require a retrospective method of transition as the Organization's revenues do not have performance obligations and are fully recognizable when received.

During the fiscal year ending 2020, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Management believes that the adoption of the new accounting standard provides a better presentation of cash flows to the users of its financial statements. Before the change, restricted cash and restricted cash equivalents were not included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts reported on the statement of cash flows.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis in 2020. As a result, there was no cumulative-effect adjustment to opening net assets.

During 2020, PEI adopted ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. Management believes that the adoption of the new accounting standard provides a better presentation of cash flows to the users of its financial statements.

Because certain accounting records were not available, it was impracticable to determine the cumulative effect of applying the change retroactively (that is, the effect on the amount of interest paid in years prior to 2020). However, Pacific Education Institute had all the information necessary to apply the change on a prospective basis beginning in 2020.

Subsequent Events

Management has evaluated subsequent events through November 20, 2020, 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.

Uncertainties

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple non-profits organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Special Borrowing Arrangement

As a result of the COVID-19 pandemic, the Organization obtained a Paycheck Protection Program loan (PPP loan) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) in May 2020 for approximately \$133,379 with an annual interest rate of 1% annually to help ongoing operations and reduce potential employee layoffs. Principle and interest payments are deferred for 10 months from the funding date. Pacific Education Institute (PEI) shall apply to the bank for loan forgiveness. If the Small Business Association (SBA) confirms full and complete forgiveness of the unpaid balance of the loan, and reimburses the bank for the total outstanding balance, principle, and interest, PEI’s obligations under the loan will be deemed fully satisfied and paid in full. If SBA does not confirm forgiveness of the loan, or only partly confirms forgiveness of the loan, or PEI fails to apply for the loan forgiveness, PEI will be obligated to repay the bank the total outstanding balance remaining due under the loan, including principle and interest within 2 years from the funding date of the loan. The Organization is optimistic that they will meet the conditions to have this loan forgiven.

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	\$ 485,933
Less restricted cash	(262,007)
Short-term certificates of deposit	103,000
Accounts receivable	168,673
Prepaid expenses	4,765
Accounts payable	(19,523)
Current portion of PPP loan	<u>(59,033)</u>
Total	<u>\$ 421,808</u>

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Liquidity and Availability (continued)

The Organization's liquidity of cash and cash equivalents were reduced by \$262,007 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, 2020, the balance of Board designated net assets was \$316,920.

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. It is the opinion of the Management that the lease's terms are not less favorable than could be obtained if the property were leased from an unrelated party. The lease expense for 2020 is \$24,000 and 2019 was \$24,000.

Major Funding

The Organization was awarded \$1,000,000 contract renewal in state funding through the Office of Superintendent of Public Instruction (OSPI) for the period December 2019 through June 2021. 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 36 percent and 43 percent of total revenues for the years ended June 30, 2020 and 2019, respectively, and 40 percent and 23 percent of accounts receivable on June 30, 2020 and 2019, respectively.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Revenue Recognition

We have analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes are necessary to conform with the new standard. The Agency's fees for services contracts contain a single delivery element and revenue is recognized at a single point in time when services are rendered, and the related expenses have occurred.

The Organization provides workshop services to educators. Service contract revenue is recognized when workshop services are performed and recorded monthly or when all obligations of the service contract are completed.

<u>Revenue by Type</u>	<u>2020</u>	<u>2019</u>
Program fees for services, contracts	\$ 37,143	\$ 95,064
Total	<u>\$ 37,143</u>	<u>\$ 95,064</u>

Fees for services contracts in accounts receivable for the year ended June 30, 2020 was \$2,538.

Government grant contracts have obligations directly correlated to specific expenses and are reimbursable in nature. These grants are non-exchange transactions that directly affects third parties who are beneficiaries with eligibility criteria. As a result, the government grant contracts follow FASB ASC 958-605.

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.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

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

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

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.

Inventory: The value of inventory is stated at lower of cost or market.

Accounts payable: The value shown on the statement of financial position approximates fair value because the payables are current and will be paid in the short-term.

Accrued liabilities: The value of the accrued liabilities is estimated at year end on the observable inputs of vacation balances and hourly wage rates, and interest rates calculated based on the annual interest rate of the loan on June 30, 2020.

PPP loan payable: The value shown on the statement of financial position, current and long-term portions, are stated at the principle balances according to the amortization of the loan.

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.

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

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

	Year Ended June 30, 2020			
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash & cash equivalents	\$ 485,933	\$ -	\$ -	\$ 485,933
Certificates of deposit	103,000	-	-	103,000
Accounts Receivable	168,673	-	-	168,673
Inventory	8,302	-	-	8,302
Accounts payable	19,523	-	-	19,523
Accrued liabilities	-	38,222	-	38,222
PPP loan	<u>133,379</u>	<u>-</u>	<u>-</u>	<u>133,379</u>
	<u>\$ 918,810</u>	<u>\$ 38,222</u>	<u>\$ -</u>	<u>\$ 957,032</u>

	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	190,811	-	-	190,811
Inventory	8,290	-	-	8,290
Accounts payable	65,108	-	-	65,108
Accrued liabilities	<u>-</u>	<u>33,266</u>	<u>-</u>	<u>33,266</u>
	<u>\$ 539,407</u>	<u>\$ 33,266</u>	<u>\$ -</u>	<u>\$ 572,673</u>

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Investments

Investments consist of certificates of deposits, are stated at fair value based on cost and quoted prices in active markets (level 1 measurement), are summarized as follows, on June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Certificates of deposits held at Morgan Stanley		
Issued March 27, 2020 and matures on March 27, 2021 with a 1.25% coupon rate	\$ 103,000	\$ -
Issued February 26, 2019 and matured on August 26, 2019 with a 2.3% coupon rate	-	40,000
Issued February 27, 2019 and matured on February 27, 2020 with a 2.5% coupon rate	<u>-</u>	<u>100,000</u>
Total short-term investments	<u>\$ 103,000</u>	<u>\$ 140,000</u>

Interest earned on the certificates of deposits are recognized monthly and presented as cash and cash equivalents. Interest recognized for the years ended June 30, 2020 and 2019 was \$2,974 and \$2,863, respectively.

Pledges Receivable

The pledges receivable consists of an operating fund-raising campaign. On June 30, 2020, 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 and the promises to give are valued at the promised amount on June 30, 2020. The balance of pledges receivable on June 30, 2020 and 2019 were \$665 and \$5,635, respectively.

Accrued Liabilities

Accrued liabilities consist of the following on June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accrued compensated absences	\$ 37,972	\$ 30,144
Accrued sales and use tax	42	122
Accrued loan interest	<u>208</u>	<u>-</u>
Total accrued liabilities	<u>\$ 38,222</u>	<u>\$ 30,266</u>

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Debt

The Organization's conditional obligation under the PPP loan if conditions are not met for forgiveness consist of the following:

1% conditional PPP note payable with payments deferred for 10 months or May 2, 2021, due in monthly installments of \$7,469, including interest, through April 7, 2022, and is unsecured.	\$ 133,379
Less current portion	<u>(14,938)</u>
Total note payable	<u>\$ 118,441</u>

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, 2020 and 2019 were \$316,920 and \$294,955, respectively.

Net Assets with Donor Designations

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Preservice program/professional development	\$ 7,674	\$ 9,141
Regional program delivery	<u>254,333</u>	<u>31,663</u>
Total donor designated net assets	<u>\$ 262,007</u>	<u>\$ 40,804</u>

PACIFIC EDUCATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Summary of Significant Accounting Policies (continued)

Fund-Raising Expense

Total fund-raising expense for the year ended June 30, 2020 was \$65,226. Fund-raising expenses related to the annual event totaled \$2,506 or 85% of the total event revenue. Total fundraising expenses totaled \$65,226 or 71% of contributions and event revenues. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased. Assets reserved for Preservice Program and Professional Development, and Regional Program Delivery on the statements of financial position include restricted cash received with restrictions imposed by donors (but not yet spent) for these programs. The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows at June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Cash	\$ 223,926	\$ 94,394
Restricted cash included in assets		
Reserved for preservice program and professional development	7,674	9,141
Reserved for regional program delivery	<u>254,333</u>	<u>31,663</u>
Total cash	<u>\$ 485,933</u>	<u>\$ 135,198</u>

Retirement Plan

The Organization has a Simple IRA plan for employees. The Organization provides a dollar for dollar matching contribution of 3% based on eligible compensation. During the year ended June 30, 2020 and 2019, the Organization recognized a retirement expense totaling \$10,491 and \$13,982, respectively.