PACIFIC ENVIRONMENT
AND
RESOURCES CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2021

Goranson and Associates, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pacific Environment and Resources Center
San Francisco, California

We have audited the accompanying financial statements of Pacific Environment and Resources Center (a nonprofit corporation), which comprise the statement of financial position as of March 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Environment and Resources Center as of March 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the Pacific Environment and Resources Center's financial statements for the year end March 31, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

November 20, 2021
Santa Rosa, CA

PACIFIC ENVIRONMENT AND RESOURCES CENTER
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021
(With summarized comparative totals for March 31, 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,370,179	$ 2,156,120
Grants receivable	2,959,923	1,651,257
Accounts receivable	2,476	777
Prepaid expense	24,907	30,664
Total current assets	5,357,485	3,838,818
Fixed assets:		
Equipment	43,846	42,569
Less accumulated depreciation	(40,937)	(39,017)
Total fixed assets	2,909	3,552
Other assets:		
Deposits	4,360	7,338
Total other assets	4,360	7,338
Total assets	$ 5,364,754	$ 3,849,708
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 27,878	$ 20,594
Accrued expenses	120,505	100,287
PPP loan	146,182	-
Subgrants payable	88,912	52,275
Total liabilities	383,477	173,156
Net Assets:		
Without donor restriction	936,214	697,787
With donor restriction	4,045,063	2,978,765
Total net assets	4,981,277	3,676,552
Total liabilities and net assets	$ 5,364,754	$ 3,849,708

The accompanying notes are an integral part of these financial statements

PACIFIC ENVIRONMENT AND RESOURCES CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021
(With summarized comparative totals for the year ended March 31, 2020)

	Without donor restriction	With donor restriction	2021 Total	2020 Total
SUPPORT AND REVENUE:				
Grants		$ 2,726,758	$ 2,726,758	$ 2,556,262
Contributions	$ 93,389	-	93,389	54,556
Interest and dividend income	2,242	-	2,242	6,503
Other income	2,038	-	2,038	(2,183)
Net assets released from restriction	1,660,460	(1,660,460)	-	-
Total support and revenue	1,758,129	1,066,298	2,824,427	2,615,138
EXPENSES:				
Program	1,344,128		1,344,128	1,406,211
Management and general	93,452		93,452	95,411
Development	82,122		82,122	79,377
Total expenses	1,519,702		1,519,702	1,580,999
CHANGE IN NET ASSETS	238,427	1,066,298	1,304,725	1,034,139
NET ASSETS, beginning of year	697,787	2,978,765	3,676,552	2,642,413
NET ASSETS, end of year	$ 936,214	$ 4,045,063	$ 4,981,277	$ 3,676,552

PACIFIC ENVIRONMENT AND RESOURCES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021
(With summarized comparative totals for the year ended March 31, 2020)

	Program	Management and General	Development	2021 Total	2020 Total
Salaries and wages	$ 589,790	$ 30,575	$ 59,142	$ 679,507	$ 662,136
Payroll tax expense	46,316	2,391	4,648	53,355	52,441
Employee benefits	90,216	5,028	8,399	103,643	59,058
Subgrants	360,663			360,663	347,987
Travel and housing	27,711	83	-	27,794	153,129
Professional services	137,967	33,146	4,096	175,209	156,764
Occupancy	52,967	3,485	3,008	59,460	68,511
Printing and duplication	109	5	1,163	1,277	1,314
Insurance	-	11,223	-	11,223	11,177
Internet and website hosting	5,968	192	166	6,326	4,640
Conference and meetings	21,211	18	314	21,543	33,890
Telephone and fax	2,751	170	146	3,067	3,391
Supplies expenses	103	333	117	553	1,333
Postage and shipping	130	38	387	555	1,228
Equipment leases/maintenance	2,647	207	179	3,033	3,374
Bank fees	294	2,490	-	2,784	1,398
Miscellaneous expenses	1,448	1,181	13	2,642	3,892
Dues and subscriptions	1,329	166	129	1,624	1,517
Staff and Board development	2,508	802	215	3,525	12,210
Subtotal	1,344,128	91,533	82,122	1,517,783	1,579,390
Depreciation	-	1,919	-	1,919	1,609
Total expenses	$ 1,344,128	$ 93,452	$ 82,122	$ 1,519,702	$ 1,580,999

PACIFIC ENVIRONMENT AND RESOURCES CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021
(With summarized comparative totals for the year ended March 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,304,725	$ 1,034,139
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	1,919	1,609
(Increase) decrease in:		
Accounts receivable	(1,699)	9,223
Grants receivable	(1,308,666)	(714,545)
Prepaid expenses	8,735	(245)
Increase (decrease) in:		
Accounts payable and accrued expenses	27,502	(58,867)
Subgrants payable	36,637	25,525
Net cash (used) provided by operating activities	69,153	296,839
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,276)	(2,879)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PPP loan proceeds	146,182	-
NET (DECREASE) INCREASE IN CASH	214,059	293,960
CASH, beginning of year	2,156,120	1,862,160
CASH, end of year	$ 2,370,179	$ 2,156,120

The accompanying notes are an integral part of these financial statements

NOTE 1 ORGANIZATION

Pacific Environment and Resources Center (PERC) is a non-profit, non-partisan organization which seeks to protect endangered ecosystems around the Pacific Rim through grassroots advocacy, environmental education, and law and policy analysis. PERC's philosophy is that citizens who are educated about environmental issues, motivated to act, and empowered with training in grassroots activism will shape the protection of the Pacific Rim and the global environment in the 21st century. PERC receives its funding primarily from foundations and individual donors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u> – PERC reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction

> *Net assets without donor restriction* – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.
>
> *Net assets with donor restriction* – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of PERC to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

<u>Net assets released from donor restriction</u> – Net assets with donor restriction are "released" to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

<u>Other Basis of Presentation Policies</u> – Revenues or support are reported as increases in net assets without donor restriction unless subject to donor-imposed restrictions. If donor restrictions are fulfilled in the same time period the revenue or support is received, PERC reports the revenue or support as net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents – Cash equivalents consist primarily of checking accounts, money market accounts and other investments with an original maturity of 90 days or less.

Concentrations of Credit Risk – PERC maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times during the year, PERC held cash and cash equivalent balances in excess of federally insured limits. The amount in excess of the FDIC limit totaled $ 1,299,055 at March 31, 2021.

Foreign exchange reporting - Some grants and funding and expenditures for PERC are from international entities and projects. The reporting in the financial statements are reported in U. S. Dollar amounts and any difference resulting from exchange rates is included as ordinary income. Any amounts received or expended are not material to the financial statements.

Grants Receivable – Grants receivable consist of grants awarded, but not yet received as of March 31, 2021. Management believes receivables at March 31, 2021 will be fully collected. Accordingly, no allowance for doubtful receivables is recorded.

Property and equipment – PERC capitalizes all expenditures for property and equipment in excess of $1,000. Property and equipment are stated at cost or, if donated, at fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Estimated useful lives	3-5 years

Allocation Plan – PERC allocates personnel expenses based on analyses of staff's time per program or department. Shared expenses are then allocated per the resulting FTE schedule.

Income Taxes – PERC is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined PERC is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of PERC considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to PERC's status as a not-for-profit entity. Management believes PERC met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. PERC's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 PERC's financial statements for the year ended March 31, 2020, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects PERC's financial assets as of March 31, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year end	
Cash and cash equivalents	$ 2,370,179
Grants receivable	2,959,923
Accounts receivable	2,476
Total financial assets at year end	5,332,578
Less those unavailable for general expenditures within one year due to:	
Donor restricted funds	(4,045,063)
Financial assets available to meet cash needs for general expenditure within one year	$ 1,287,515

NOTE 4 GRANTS RECEIVABLE

Grants receivable consists of the following at March 31, 2021:

Shipping	$ 2,873,623
Building Vietnam's zero waste movement	76,300
Advancing environmental rule of law	10,000
Total grants receivable	$ 2,959,923

NOTE 5 ACCRUED VACATION, ACCRUED SABBATICAL AND SICK LEAVE

Accumulated unpaid employee vacation benefits and accrued sabbatical are recognized as liabilities of PERC. Accrued vacation at March 31, 2021 is $52,652. Accrued sabbatical at March 31, 2021 is $67,608.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of PERC since payment of such benefits is not probable, thus sick leave benefits are recorded as expenditures in the period sick leaves are taken.

NOTE 6 NOTES PAYABLE

PERC received a Paycheck Protection loan from the Small Business Administration in the amount of $146,182. The loan originated in April 2020 and matures April 2022. Interest is one percent. Subsequent to yearend, in April 2021, the loan was fully forgiven.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at March 31, 2021 are as follows:

Arctic	$ 1,212,428
Plastic	269,985
China	211,434
Grassroots partners	221,157
General support	16,686
Marine	50,001
Asia	33,305
Shipping	2,022,567
California	7,500
Total	$ 4,045,063

PERC received a grant from Swedish Society for Nature Conservation. The purpose of this grant is to provide financial support to the project Removing Hazardous Waste Action. Funds may only be used for direct project costs or to subgrant the funds to a supporting organization approved in advance by SSNC. The grant spans August 1, 2018 to July 31, 2020 but subsequent to yearend was extended through December 31, 2021. The total grant amount is 2,040,000 Swedish Krona, which includes an increase of 300,000 Krona. The amount received in the fiscal year ending March 31, 2021 was $35,997; during FY 20-21, $36,889 of grant funds were expended. Interest earned on the granted funds received came to $4, which was included in the expense amount.

NOTE 8 LEASES

PERC leased office space under an operating lease that began October 2020 and terminates September 2024. Monthly rent is $2,800.

PERC also rents space for a satellite office with a lease commencing January 2016 that expired January 2019. The lease was extended through March 2021. Monthly rent is $1,000.

Rental expense for the year ended March 31, 2021, is $58,536.

Minimum future payments are as follows at March 31:

2022	$ 38,400
2023	43,200
2024	45,000
2025	23,400

NOTE 9 TAX-DEFERRED ANNUITY PLAN

PERC has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees. PERC matches employee contributions to one percent of gross salaries. Employees may make contributions to the plan up to the limit determined by law if they wish. Plan expenses were $5,421 for the year ended March 31, 2021.

NOTE 10 SUBSEQUENT EVENTS

PERC has evaluated subsequent events through November 20, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on PERC's operations, financial position, and cash flows. Also, subsequent to yearned, PERC had a note payable forgiven (see Note 6).