

**PACIFIC ENVIRONMENT AND
RESOURCES CENTER**

(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED MARCH 31, 2022

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

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

ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
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SCOTT K. SMITH
CRISANTO S. FRANCISCO
JOE F. HUIE

SHERMAN G. LEONG

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Pacific Environment and Resources Center, a California nonprofit public benefit corporation, which comprise the statement of financial position as of March 31, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pacific Environment and Resources Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Summarized Comparative Information

The financial statements of Pacific Environment and Resources Center as of March 31, 2021 were audited by other auditors whose report dated November 20, 2021 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended March 31, 2021 were derived from those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Environment and Resources Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pacific Environment and Resources Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Environment and Resources Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lindquist, von Huen and Joyce LLP

January 25, 2023

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2022

With summarized comparative totals for March 31, 2021

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 5,629,848	\$ 2,370,179
Grants and accounts receivables (Note 3)	2,412,660	2,959,923
Other receivables	-	2,476
Prepaid expenses	37,420	24,907
Total current assets	8,079,928	5,357,485
Deposits	4,360	4,360
Property and equipment – net	16,059	2,909
Total assets	<u>\$ 8,100,347</u>	<u>\$ 5,364,754</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 267,595	\$ 148,383
Subgrants payable	43,763	88,912
Note payable – current portion (Note 4)	-	146,182
Total liabilities	311,358	383,477
Net assets:		
Without donor restrictions	1,401,852	936,214
With donor restrictions (Note 7)	6,387,137	4,045,063
Total net assets	7,788,989	4,981,277
Total liabilities and net assets	<u>\$ 8,100,347</u>	<u>\$ 5,364,754</u>

The accompanying notes are an integral part of these financial statements.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2022

With summarized comparative totals for the year ended March 31, 2021

	2022			2021
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Total</i>
Public support and revenue:				
Grants	\$ 771,248	\$ 4,141,762	\$ 4,913,010	\$ 2,726,758
Contributions	116,856	-	116,856	93,389
Interest and dividend income	1,224	-	1,224	2,242
Other income	81,379	-	81,379	2,038
PPP forgiveness (Note 4)	146,182	-	146,182	-
Net assets released from restrictions (Note 7)	1,799,688	(1,799,688)	-	-
Total public support and revenue	2,916,577	2,342,074	5,258,651	2,824,427
Expenses:				
Program services	2,229,782	-	2,229,782	1,344,128
General and administrative	135,059	-	135,059	93,452
Development	86,098	-	86,098	82,122
Total expenses	2,450,939	-	2,450,939	1,519,702
Change in net assets	465,638	2,342,074	2,807,712	1,304,725
Net assets, beginning of year	936,214	4,045,063	4,981,277	3,676,552
Net assets, end of year	\$ 1,401,852	\$ 6,387,137	\$ 7,788,989	\$ 4,981,277

The accompanying notes are an integral part of these financial statements.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2022

With summarized comparative totals for the year ended March 31, 2021

	2022				2021
	<i>Program Services</i>	<i>General and Administrative</i>	<i>Development</i>	<i>Total</i>	<i>Total</i>
Salaries and wages	\$ 974,940	\$ 51,734	\$ 61,643	\$ 1,088,317	\$ 679,507
Payroll tax expenses	81,284	4,521	5,108	90,913	53,355
Employee benefits	123,992	2,522	8,608	135,122	103,643
Subgrants	349,455	-	-	349,455	360,663
Travel and housing	58,353	272	24	58,649	27,794
Professional fees	399,686	41,824	4,177	445,687	175,209
Occupancy	44,395	2,747	1,557	48,699	59,460
Printing and duplication	1,979	1	1,530	3,510	1,277
Insurance	-	11,392	-	11,392	11,223
Internet and website housing	5,070	136	137	5,343	6,326
Conferences and meetings	6,166	152	-	6,318	21,543
Telephone and fax	1,780	80	53	1,913	3,067
Supplies expenses	491	10	132	633	553
Postage and shipping	396	87	486	969	555
Equipment leases/maintenance	4,495	142	95	4,732	3,033
Bank fees	373	2,402	-	2,775	2,784
Miscellaneous expenses	5,414	1,383	-	6,797	2,642
Dues and subscriptions	13,500	1,667	1,416	16,583	1,624
Staff and board development	64,928	9,184	1,132	75,244	3,525
Advertising/PR	93,085	-	-	93,085	-
Depreciation	-	4,803	-	4,803	1,919
Total expenses	\$ 2,229,782	\$ 135,059	\$ 86,098	\$ 2,450,939	\$ 1,519,702

The accompanying notes are an integral part of these financial statements.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2022

With summarized comparative totals for the year ended March 31, 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 2,807,712	\$ 1,304,725
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,803	1,919
Forgiveness of debt	(146,182)	-
(Increase) decrease in assets:		
Grants, contributions and accounts receivable	549,739	(1,310,365)
Prepaid expenses	(12,513)	8,735
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	74,063	64,139
Net cash provided by operating activities	<u>3,277,622</u>	<u>69,153</u>
Cash flows from investing activities:		
Purchase of property & equipment	<u>(17,953)</u>	<u>(1,276)</u>
Net cash used in investing activities	<u>(17,953)</u>	<u>(1,276)</u>
Cash flows from financing activities:		
PPP loan proceeds	<u>-</u>	<u>146,182</u>
Net cash provided by financing activities	<u>-</u>	<u>146,182</u>
Net increase in cash and restricted cash	3,259,669	214,059
Cash and restricted cash, beginning of year	<u>2,370,179</u>	<u>2,156,120</u>
Cash and restricted cash, end of year	<u>\$ 5,629,848</u>	<u>\$ 2,370,179</u>

The accompanying notes are an integral part of these financial statements.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Pacific Environment and Resources Center (PERC), a California 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

Accounting Method

PERC uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity 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 revenue and expense during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results may differ from those estimates.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. When a donor restriction expires – that is, when a stipulated time restrictions ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

Contributions

Unconditional promises to give are recognized as contribution revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. PERC occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The uninsured cash balance was approximately \$4,249,000 as of March 31, 2022. PERC has not experienced any losses in such accounts.

Contributions, Grants and Accounts Receivable

Unconditional promises to give are recorded as receivables and revenue when written evidence of an intent to contribute is received. Bad debts are provided on the allowance method based on historical experience and management evaluation of promises to give receivable. Management has determined that no allowance for uncollectible accounts is deemed necessary as of March 31, 2022.

Grants and contracts receivable within one year are recorded at net realizable value. Grants receivable expected to be received in future years are recorded at present value of their estimated cash flows. No allowance for uncollectible accounts has been provided since the receivables are all deemed to be collectible.

Property and Equipment

Property and equipment is stated at cost of acquisition, or fair value if donated. PERC acquired certain property in prior years for nominal amounts or by charitable contribution. These assets were recorded at their estimated fair value as of the acquisition date. The cost of maintenance and repairs below \$5,000 that neither significantly add to the permanent value of a property nor prolong its intended useful life is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Furniture and equipment	3-5 years
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Income Taxes

PERC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

PERC believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. PERC's federal and state information returns for the years 2018 through 2021 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supporting services.

The statement of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function that require consistent allocation on a reasonable basis. Expenses that are allocated include employee benefits and payroll taxes, outside services, facility and other office expenses, travel, communications, supplies, and miscellaneous expenses. These expenses have been allocated on the basis of salaries per function over total salaries of all functions.

Subsequent Events

Management has evaluated subsequent events through January 25, 2023, the date on which the financial statements were available to be issued.

NOTE 3 – GRANTS RECEIVABLE

Contributions, grants and accounts receivable are summarized as follows:

Shipping	\$ 870,552
General support	455,167
Plastic solutions in China and Vietnam	834,466
Protecting oceans, wildlife and communities	117,686
Removing hazardous waste action	<u>134,789</u>
Total grant receivable	<u>\$ 2,412,660</u>

NOTE 4 – PAYCHECK PROTECTION PROGRAM

PERC received a Paycheck Protection Program (PPP) 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. In April 2021, the loan was fully forgiven.

NOTE 5 – OPERATING LEASE

PERC leases office facilities under an operating lease, which expires on September 2024. Monthly rent is \$3,800.

PERC also rented space for a satellite office under operating lease that expired on January 2019. The lease was extended through March 2021. Monthly rent was \$1,000.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

Rental expense for the year ended March 31, 2022 was \$46,855. Future minimum lease payments due are as follows:

<i>Fiscal year ended March 31,</i>	
2023	\$ 43,200
2024	45,000
2025	23,400
	<u>\$ 111,600</u>

NOTE 6 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statement of financial position, comprise the following:

Financial assets at end of year available within one year:	
Cash	\$ 5,629,848
Grants, accounts and contributions receivable	<u>2,412,660</u>
	8,042,508
Less financial assets not available for general expenditures:	
Net assets with donor restrictions	<u>(6,387,137)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,655,371</u>

Financial assets include amounts that will be used to pay accounts payable, accrued expenses and other distributions from operating cash flow, if any, in the subsequent year. None of the \$1,655,371 net financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are for the following purposes or periods:

	2022			
	<i>March 31, 2021</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>March 31, 2022</i>
Arctic	\$ 1,212,428	\$ 15,767	\$ 396,254	\$ 831,941
Plastic	269,985	1,323,489	268,435	1,325,039
China	211,435	247,460	284,106	174,788
General support for future periods	16,685	955,530	6,685	965,530
Grassroots	221,157	-	221,157	-
Marine	50,000	172,531	50,000	172,531
Asia	33,305	-	-	33,305
Shipping	2,022,568	1,426,986	573,051	2,876,503
California	7,500	-	-	7,500
	<u>\$ 4,045,063</u>	<u>\$ 4,141,762</u>	<u>\$ 1,799,688</u>	<u>\$ 6,387,137</u>

PACIFIC ENVIRONMENT AND RESOURCES CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

NOTE 8 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

COVID-19 Pandemic

The emergence and spread of the coronavirus (COVID-19) has affected businesses and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on PERC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on supply chains, service providers, and business partners, and changes in business practices, all of which are uncertain and cannot be determined at this time.

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 \$6,339 for the year ended March 31, 2022.