

**PACIFIC ENVIRONMENT AND
RESOURCES CENTER**

(A California Nonprofit Public Benefit Corporation)

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

YEAR ENDED MARCH 31, 2023

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

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Board of Directors
Pacific Environment and Resources Center
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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, 2023, 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, 2023, 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

We have previously audited Pacific Environment and Resources Center's financial statements for the year ended March 31, 2022 and we expressed an unmodified opinion on those financial statements in our report dated January 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022 is consistent, in all material respects, with the financial statements from which it has been derived.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the financial statements, Pacific Environment and Resources Center adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on leases. Our opinion is not modified with respect to this matter.

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

August 1, 2024

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

With summarized comparative totals for March 31, 2022

	2023	2022
ASSETS		
Current assets:		
Cash	\$ 11,225,778	\$ 5,629,848
Grants and accounts receivables (Note 3)	1,234,975	2,412,660
Prepaid expenses	70,128	37,420
Total current assets	12,530,881	8,079,928
Deposits	11,988	4,360
Right of use asset – operating lease (Note 4)	67,423	-
Property and equipment – net	11,256	16,059
Total assets	<u>\$ 12,621,548</u>	<u>\$ 8,100,347</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 327,241	\$ 267,595
Subgrants payable	33,160	43,763
Operating lease liability – current portion (Note 4)	44,120	-
Total current liabilities	404,521	311,358
Operating lease liability – net of current portion (Note 4)	23,303	-
Total liabilities	427,824	311,358
Net assets:		
Without donor restrictions	1,612,162	1,401,852
With donor restrictions (Note 6)	10,581,562	6,387,137
Total net assets	12,193,724	7,788,989
Total liabilities and net assets	<u>\$ 12,621,548</u>	<u>\$ 8,100,347</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, 2023

With summarized comparative totals for the year ended March 31, 2022

	2023			2022
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Total</i>
Public support and revenue:				
Grants	\$ 97,297	\$ 9,104,628	\$ 9,201,925	\$ 4,913,010
Contributions	123,768	-	123,768	116,856
Interest and dividend income	43,291	-	43,291	1,224
Other income (loss)	(1,140)	-	(1,140)	81,379
PPP forgiveness	-	-	-	146,182
Net assets released from restrictions (Note 7)	4,910,203	(4,910,203)	-	-
Total public support and revenue	5,173,419	4,194,425	9,367,844	5,258,651
Expenses:				
Program services	4,487,351	-	4,487,351	2,229,782
General and administrative	295,356	-	295,356	135,059
Development	180,402	-	180,402	86,098
Total expenses	4,963,109	-	4,963,109	2,450,939
Change in net assets	210,310	4,194,425	4,404,735	2,807,712
Net assets, beginning of year	1,401,852	6,387,137	7,788,989	4,981,277
Net assets, end of year	\$ 1,612,162	\$ 10,581,562	\$ 12,193,724	\$ 7,788,989

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, 2023

With summarized comparative totals for the year ended March 31, 2022

	2023				2022
	<i>Program Services</i>	<i>General and Administrative</i>	<i>Development</i>	<i>Total</i>	<i>Total</i>
Salaries and wages	\$ 1,739,327	\$ 106,251	\$ 138,194	\$ 1,983,772	\$ 1,088,317
Payroll tax expenses	142,641	8,137	11,646	162,424	90,913
Employee benefits	177,598	11,561	13,948	203,107	135,122
Subgrants	904,269	-	-	904,269	349,455
Travel and housing	327,598	3,553	2,694	333,845	58,649
Professional fees	833,040	97,059	3,097	933,196	445,687
Occupancy	41,298	9,779	4,642	55,719	48,699
Printing and duplication	16,845	8	2,078	18,931	3,510
Insurance	-	11,900	-	11,900	11,392
Internet and website housing	10,740	2,916	580	14,236	5,343
Conferences and meetings	32,266	-	-	32,266	6,318
Telephone and fax	817	149	232	1,198	1,913
Supplies expenses	8,506	460	691	9,657	633
Postage and shipping	1,889	900	423	3,212	969
Equipment leases/maintenance	30,267	3,896	199	34,362	4,732
Bank fees	1,950	2,998	8	4,956	2,775
Miscellaneous and event expenses	47,541	20	1	47,562	6,797
Dues and subscriptions	14,193	20,777	797	35,767	16,583
Staff and board development, recruiting	51,731	10,189	1,172	63,092	75,244
Advertising/PR	104,835	-	-	104,835	93,085
Depreciation	-	4,803	-	4,803	4,803
Total expenses	\$ 4,487,351	\$ 295,356	\$ 180,402	\$ 4,963,109	\$ 2,450,939

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, 2023

With summarized comparative totals for the year ended March 31, 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 4,404,735	\$ 2,807,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,803	4,803
Forgiveness of debt	-	(146,182)
(Increase) decrease in assets:		
Grants, contributions and accounts receivable	1,177,685	549,739
Prepaid expenses	(32,708)	(12,513)
Deposits	(7,628)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	49,043	74,063
Net cash provided by operating activities	<u>5,595,930</u>	<u>3,277,622</u>
Cash flows from investing activities:		
Purchase of property & equipment	-	(17,953)
Net cash used in investing activities	<u>-</u>	<u>(17,953)</u>
Net increase in cash and restricted cash	5,595,930	3,259,669
Cash and restricted cash, beginning of year	<u>5,629,848</u>	<u>2,370,179</u>
Cash and restricted cash, end of year	<u><u>\$ 11,225,778</u></u>	<u><u>\$ 5,629,848</u></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, 2023

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, 2023

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 \$9,913,000 as of March 31, 2023. 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, 2023.

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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New Accounting Standard on Leases

New accounting standards on leases, required by accounting principles generally accepted in the United States of America, amends both lessor and lessee accounting with the most significant change being the requirement for lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the ROU asset, and for operating leases, lessees would recognize straight-line total rent expense. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

The Organization adopted the leasing standard effective April 1, 2022, using the modified retrospective approach with April 1, 2022 as the initial date of application. the Organization elected to use all available practical expedients provided in the transition guidance. These practical expedients allow entities to not reassess the identification, classification and initial direct costs of lease agreements, to not separate lease and non-lease components for underlying equipment assets, and to use hindsight in lease agreements for determining lease term and ROU asset impairment, as applicable.

The Organization accounts for the existing office lease as an operating lease. As of April 1, 2022, adoption of the new leasing standard resulted in a recognition of ROU asset of \$108,896 and an increase in operating lease liability of \$108,896.

Subgrants

PERC occasionally outsources program activities to subgrantees. Subgrant expenses are generally recorded when the subgrant contribution is unconditionally communicated to the subgrantee. Subgrant agreements contain performance requirements and may span multiple fiscal years. Subgrant agreements in place of approximately \$60,000 include unperformed conditions for periods through 2025 that have not yet been recognized as subgrant expense at March 31, 2023.

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 2019 through 2022 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

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 August 1, 2024, the date on which the financial statements were available to be issued.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

NOTE 3 – GRANTS RECEIVABLE

Contributions, grants and accounts receivable are summarized as follows:

Shipping	\$ 150,000
General support	230,167
Plastic solutions in China and Vietnam	538,833
Protecting oceans, wildlife and communities	181,186
Removing hazardous waste action	<u>134,789</u>
Total grant receivable	<u>\$ 1,234,975</u>

NOTE 4 – OPERATING LEASE

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

The lease asset and liability were calculated utilizing the risk-free discount rate (2%), according to the Organization's elected policy. The three-year option to renew the operating lease was not considered when assessing the value of the ROU asset because the Organization is not reasonably certain that it will exercise its option to renew the lease. Rental expense included in operating expenses in 2023 was \$47,195. Cash paid for amounts included in the measurement of lease liability was \$47,195 in 2023, as part of operating cash flows from the operating lease.

The line items in the statement of financial position which include amounts for the operating lease as of March 31, 2023 are summarized as follows:

Right-of-use asset – operating lease	<u>\$ 67,423</u>
Total operating lease liability	<u>67,423</u>
Less: current portion	<u>(44,120)</u>
Long-term portion	<u>\$ 23,303</u>

Future minimum lease payments due are as follows:

<u>Fiscal year ended March 31,</u>	
2024	\$ 45,000
2025	<u>23,400</u>
	<u>\$ 68,400</u>

PACIFIC ENVIRONMENT AND RESOURCES CENTER

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

NOTE 5 – 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	\$ 11,225,778
Grants, accounts and contributions receivable	<u>1,234,975</u>
	12,242,253
Less financial assets not available for general expenditures:	
Net assets with donor restrictions	<u>(10,310,158)</u>
Financial assets available for general expenditures within one year	<u><u>\$ 1,932,095</u></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 \$1,932,095 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 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<i>March 31, 2022</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>March 31, 2023</i>
Arctic	\$ 831,941	\$ 15,000	\$ 324,441	\$ 522,500
Plastic	1,323,489	524,400	415,993	1,431,896
China	174,789	162,587	197,376	140,000
General support for future periods	965,530	181,983	765,530	381,983
Climate	-	5,000,000	476,108	4,523,892
Marine	172,531	187,480	315,381	44,630
Asia	33,305	-	-	33,305
Shipping	2,878,053	3,033,178	2,407,874	3,503,357
California	7,500	-	7,500	-
	<u>\$ 6,387,137</u>	<u>\$ 9,104,628</u>	<u>\$ 4,910,203</u>	<u>\$ 10,581,562</u>

PERC received grants from Swedish Society for Nature Conservation. The purpose of these grants 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 first grant spanned August 1, 2018 to December 31, 2021. The total grant amount was 2,040,000 Swedish Krona. The amount received in the fiscal year ending March 31, 2022 was \$72,671; during FY 21-22, \$30,664 of grant funds were expended. Interest on the grant funds received came to \$8, which was included in the expense amount.

The second grant spans January 1, 2022 to December 31, 2023. The total grant amount is 1,260,000 Swedish Krona. No funds were received or expended during FY 21-22. During 22-23 no grant funds were received and the balance due was \$134,789 on the first and second grants., \$172,376 of grant funds were expended during FY 22-23.

PACIFIC ENVIRONMENT AND RESOURCES CENTER

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

NOTE 7 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

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 \$15,018 for the year ended March 31, 2023.