

Pacific Education Institute

Financial Report
(Reviewed)
June 30, 2018

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Independent Accountant's Review Report

RSM US LLP

To the Board of Directors
Pacific Education Institute

We have reviewed the accompanying financial statements of Pacific Education Institute (the Organization), which comprise the balance sheets as of June 30, 2018 and 2017, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements). A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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 financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 reviews, 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.

Other Matter

The accompanying statements of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

RSM US LLP

Tacoma, Washington
October 8, 2018

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Pacific Education Institute

Balance Sheets

June 30, 2018 and 2017

See Independent Accountant's Review Report

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 71,373	\$ 161,001
Certificates of deposit	325,000	400,000
Grants and pledges receivable	51,580	136,885
Accounts receivable	22,565	5,373
Prepaid expenses	4,421	5,386
Materials inventory	8,203	11,569
	<hr/>	<hr/>
Total assets	\$ 483,142	\$ 720,214
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 49,989	\$ 68,567
Accrued payroll liabilities	30,148	22,396
Total liabilities	<hr/> 80,137	<hr/> 90,963
Net assets:		
Unrestricted:		
Board-designated operating reserve	294,956	316,920
Undesignated	-	184,061
Total unrestricted	<hr/> 294,956	<hr/> 500,981
Temporarily restricted	108,049	128,270
Total net assets	<hr/> 403,005	<hr/> 629,251
	<hr/>	<hr/>
Total liabilities and net assets	\$ 483,142	\$ 720,214

See notes to financial statements.

Pacific Education Institute

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018
See Independent Accountant's Review Report

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Government support	\$ 211,895	\$ 297,583	\$ 509,478
Contributions	94,597	195,392	289,989
Interest	5,450	-	5,450
Released from restrictions	513,196	(513,196)	-
Total support and revenue	825,138	(20,221)	804,917
Expenses:			
Programs	730,370	-	730,370
General and administrative	179,600	-	179,600
Fundraising	121,193	-	121,193
Total expenses	1,031,163	-	1,031,163
Change in net assets	(206,025)	(20,221)	(226,246)
Net assets:			
Beginning of year	500,981	128,270	629,251
End of year	<u>\$ 294,956</u>	<u>\$ 108,049</u>	<u>\$ 403,005</u>

See notes to financial statements.

Pacific Education Institute

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017

See Independent Accountant's Review Report

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Government support	\$ 500,000	\$ 146,178	\$ 646,178
Contributions	161,097	260,390	421,487
Interest	3,287	-	3,287
Released from restrictions	344,571	(344,571)	-
Total support and revenue	1,008,955	61,997	1,070,952
Expenses:			
Programs	751,607	-	751,607
General and administrative	191,150	-	191,150
Fundraising	122,773	-	122,773
Total expenses	1,065,530	-	1,065,530
Change in net assets	(56,575)	61,997	5,422
Net assets:			
Beginning of year	557,556	66,273	623,829
End of year	<u>\$ 500,981</u>	<u>\$ 128,270</u>	<u>\$ 629,251</u>

See notes to financial statements.

Pacific Education Institute

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

See Independent Accountant's Review Report

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (226,246)	\$ 5,422
Changes in assets and liabilities:		
Receivables	68,113	(57,955)
Prepaid expenses	965	4,399
Materials inventory	3,366	(3,235)
Accounts payable and accrued payroll liabilities	(10,826)	27,065
Net cash used in operating activities	(164,628)	(24,304)
Cash flows from investing activities:		
Sale of certificates of deposit	75,000	-
Purchase of certificates of deposit	-	(100,000)
Net cash provided by (used in) investing activities	75,000	(100,000)
Net cash used in operating and investing activities	(89,628)	(124,304)
Cash and cash equivalents:		
Beginning of year	161,001	285,305
End of year	\$ 71,373	\$ 161,001

See notes to financial statements.

Pacific Education Institute

Notes to Financial Statements

See Independent Accountant's Review Report

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities: The Pacific Education Institute (the Organization) is a statewide 501(c)(3) not-for-profit corporation, incorporated in March 2003 under the laws of the state of Washington. The Organization's mission is to advance science literacy and deepen student engagement by empowering educators to teach real-world science outdoors.

A summary of the Organization's significant accounting policies follows:

Basis of presentation: The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and support and revenue in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Organization, and changes therein, are classified as follows:

Unrestricted net assets: Net assets not subject to donor-imposed stipulations, which include certain amounts designated by the Board of Directors.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed restrictions stipulating they be maintained permanently by the Organization.

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as released from restrictions. Restrictions met in the same year through satisfaction of purpose or time restrictions are also recorded as released from restriction in the accompanying financial statements. The Organization had no permanently restricted net assets.

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.

Use of estimates: Preparation of financial statements prepared in accordance with U.S. GAAP 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 support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: The Organization considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Pacific Education Institute

Notes to Financial Statements

See Independent Accountant's Review Report

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

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 monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management has determined that no allowance is necessary for bad debt at June 30, 2018 or 2017.

Materials inventory: Inventory consists of materials to be used to support the Organization's programs, and is valued at the lower of cost or market.

Support and revenue recognition: Contributions, including unconditional promises to give, are recorded as revenue in the period received, less an allowance for uncollectible amounts, if any. Annual unrestricted contributions are recorded in the period confirmed. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions are reported as restricted support unless the restriction is met in the same reporting period, in which case, the contribution is reported as unrestricted support. Revenue on cost-reimbursement grants is recognized when the related services are performed or the costs incurred.

Federal income taxes: No provision for income taxes has been made in the financial statements since the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Additionally, the Organization has done an assessment of any uncertain tax positions and has determined it has no uncertain tax positions to record as a liability at June 30, 2018 or 2017.

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 2015.

Functional expenses: Expenses are charged to program or support services based on specific identification, where feasible. Certain expenses have been allocated among the various programs and support services based on the time devoted by staff members to each of the services.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Pacific Education Institute

Notes to Financial Statements

See Independent Accountant's Review Report

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. Early application of the amendments is permitted. Management is currently evaluating the potential impact that the adoption of this update will have on its financial reporting.

Note 2. Restrictions on Net Assets

Temporarily restricted net assets are as follows at June 30:

	2018	2017
Purpose restrictions:		
Preservice program/professional development	\$ 68,963	\$ 12,456
Regional program delivery	39,086	115,814
Total temporarily restricted net assets	<u>\$ 108,049</u>	<u>\$ 128,270</u>

Net assets released from restrictions are as follows at June 30:

	2018	2017
Preservice program/professional development	\$ 362,986	\$ 46,630
Regional program delivery	150,210	297,941
Total net assets released from restrictions	<u>\$ 513,196</u>	<u>\$ 344,571</u>

Note 3. Support from Related Party

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; however, effective December 31, 2017, the Association ended its support and funding. For the years ended June 30, 2018 and 2017, the Association contributed \$0 and \$53,000, respectively, of services and support to the Organization, which are included in contributions on the accompanying statements of activities and changes in net assets.

Note 4. Major Funding

The Organization was again awarded \$1,000,000 in state funding through the Office of Superintendent of Public Instruction (OSPI) for the period July 2017 through June 2019. This funding is intended to continue the scale-up of 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 62 percent and 47 percent of total revenues for the years ended June 30, 2018 and 2017, respectively, and 85 percent and 66 percent of grants and pledges receivable at June 30, 2018 and 2017, respectively.

Pacific Education Institute

Notes to Financial Statements
See Independent Accountant's Review Report

Note 5. Subsequent Events

Events that occurred subsequent to year-end have been evaluated by the Organization's management through October 8, 2018, which is the date the financial statements were available to be issued.

Pacific Education Institute

Statement of Functional Expenses

Year Ended June 30, 2018

See Independent Accountant's Review Report

	Programs			General and Admini- strative	Fundraising	Total Expenses
	Statewide Program Delivery	Regional Program Delivery	Total Programs			
Consultants:						
Faculty/facilitators	\$ 20,852	\$ 38,184	\$ 59,036	\$ -	\$ -	\$ 59,036
Resource development	2,100	-	2,100	-	-	2,100
Research and evaluation	17,504	2,440	19,944	-	-	19,944
Faculty/facilitators expenses	2,685	6,896	9,581	17	-	9,598
Program delivery:						
Facilities and meeting expenses	29,413	4,328	33,741	-	-	33,741
Copies and printing	1,641	1,385	3,026	-	-	3,026
Substitutes/educator stipends	1,975	27,935	29,910	-	-	29,910
Participants travel expenses	-	8,325	8,325	-	-	8,325
Curriculum and materials	5,922	10,062	15,984	-	-	15,984
Conferences and training	3,926	490	4,416	684	535	5,635
School district supplies, equipment and other	904	823	1,727	-	-	1,727
Special events/recognitions	197	-	197	2,851	332	3,380
Salaries and benefits	238,725	225,629	464,354	153,526	98,280	716,160
Meals and travel	16,647	17,862	34,509	1,709	2,099	38,317
Meetings	631	-	631	983	133	1,747
Printing and copying	1,849	46	1,895	669	647	3,211
Marketing and promotion	1,740	90	1,830	181	412	2,423
Professional services	18,116	-	18,116	8,827	13,200	40,143
Furniture and equipment	692	-	692	613	439	1,744
Postage	489	257	746	223	538	1,507
Website and communications	3,301	-	3,301	486	390	4,177
Rent	6,873	-	6,873	3,654	2,373	12,900
Office	4,712	201	4,913	1,056	773	6,742
General/miscellaneous	641	215	856	173	212	1,241
Insurance	2,831	426	3,257	1,298	136	4,691
Taxes and licenses	410	-	410	2,650	694	3,754
	<u>\$ 384,776</u>	<u>\$ 345,594</u>	<u>\$ 730,370</u>	<u>\$ 179,600</u>	<u>\$ 121,193</u>	<u>\$ 1,031,163</u>

Pacific Education Institute

Statement of Functional Expenses

Year Ended June 30, 2017

See Independent Accountant's Review Report

	Programs			General and Admini- strative	Fundraising	Total Expenses
	Statewide Delivery	Regional Delivery	Total Programs			
Consultants:						
Evaluation/documentation	\$ 34,715	\$ 8,250	\$ 42,965	\$ -	\$ -	\$ 42,965
Curriculum development	1,200	10,000	11,200	-	-	11,200
Program coordination and delivery	2,480	22,676	25,156	-	-	25,156
Program planning and other services	54,575	1,883	56,458	-	-	56,458
Workshop expenses:						
Presenters/instructors	6,643	62,052	68,695	-	-	68,695
Facilities/meeting	838	24,593	25,431	-	-	25,431
Substitutes/educator stipends	167	19,965	20,132	-	-	20,132
Curriculum and materials	7,528	10,069	17,597	-	-	17,597
Conferences and training	1,480	387	1,867	741	819	3,427
School district supplies, equipment and other	54	722	776	-	-	776
Special events/recognitions	314	-	314	-	285	599
Salaries and benefits	217,465	185,325	402,790	157,672	75,060	635,522
Meals and travel	8,877	23,451	32,328	3,151	1,779	37,258
Meetings	486	-	486	858	96	1,440
Professional services	24,891	-	24,891	17,122	37,041	79,054
Dues and contributions	355	-	355	-	250	605
Printing and publications	-	342	342	-	-	342
Website and communications	4,378	49	4,427	648	1,107	6,182
Rent	3,949	-	3,949	3,100	2,251	9,300
Office	7,460	252	7,712	2,419	3,019	13,150
General/miscellaneous	1,805	290	2,095	2,308	930	5,333
Insurance	1,634	-	1,634	2,571	11	4,216
Taxes and licenses	7	-	7	560	125	692
	<u>\$ 381,301</u>	<u>\$ 370,306</u>	<u>\$ 751,607</u>	<u>\$ 191,150</u>	<u>\$ 122,773</u>	<u>\$ 1,065,530</u>