

**PROTECTION AND EDUCATION RE:
ANIMALS, CULTURE & ENVIRONMENT, INC.
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

*December 31, 2010
(Reviewed)*

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Protection and Education re:
Animals, Culture & Environment, Inc.

I have reviewed the accompanying consolidated statement of financial position of Protection and Education re: Animals, Culture & Environment, Inc. and Affiliates ("PEACE") as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of PEACE.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

MSG Associates CPA, LLC

Blauvelt, New York
July 3, 2011

**PROTECTION AND EDUCATION RE:
ANIMALS, CULTURE AND ENVIRONMENT, INC
AND AFFILIATES**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2010

ASSETS

CASH AND CASH EQUIVALENTS	\$ 48,332
ACCOUNTS RECEIVABLE	16,123
IMPROVEMENTS, net of accumulated depreciation of \$3,758	<u>15,032</u>
TOTAL ASSETS	<u>\$ 79,487</u>

LIABILITIES AND NET ASSETS

ACCRUED EXPENSES	\$ 26,753
LOANS PAYABLE	<u>4,036</u>
TOTAL LIABILITIES	30,789
UNRESTRICTED NET ASSETS	<u>48,698</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 79,487</u>

**PROTECTION AND EDUCATION RE:
ANIMALS, CULTURE AND ENVIRONMENT, INC
AND AFFILIATES**
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2010

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
SUPPORT AND REVENUES				
Contributions	\$ 282,468	\$ 282,468	\$ -	\$ -
Grants	<u>32,127</u>	<u>32,127</u>	<u>-</u>	<u>-</u>
	<u>314,595</u>	<u>314,595</u>	<u>-</u>	<u>-</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	314,595	314,595	-	-
EXPENSES				
Program	315,351	315,351	-	-
General and administrative	52,743	52,743	-	-
Fundraising	<u>2,105</u>	<u>2,105</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>370,199</u>	<u>370,199</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS	(55,604)	(55,604)	-	-
NET ASSETS, beginning of year	<u>104,302</u>	<u>104,302</u>	<u>-</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 48,698</u>	<u>\$ 48,698</u>	<u>\$ -</u>	<u>\$ -</u>

**PROTECTION AND EDUCATION RE:
ANIMALS, CULTURE AND ENVIRONMENT, INC
AND AFFILIATES**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	<u>Total</u>	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>
Salaries and related	\$ 237,735	\$ 206,171	\$ 31,564	\$ -
Materials and supplies	19,976	19,976	-	-
Veterinary	8,118	8,118	-	-
Other program expenses	17,209	17,209	-	-
Professional fees	9,470	-	9,470	-
Travel and auto	13,632	11,215	2,417	-
Bank charges	2,347	-	2,347	-
Repairs and maintenance	1,798	1,798	-	-
Marketing	12,427	10,209	2,218	-
Telephone	14,673	13,919	754	-
Temporary help	2,098	800	1,298	-
Insurance	2,770	2,770	-	-
Fundraising	2,105	-	-	2,105
Depreciation	1,879	-	1,879	-
Office expenses	22,398	21,659	739	-
Other	<u>1,564</u>	<u>1,507</u>	<u>57</u>	<u>-</u>
	<u>\$ 370,199</u>	<u>\$ 315,351</u>	<u>\$ 52,743</u>	<u>\$ 2,105</u>

**PROTECTION AND EDUCATION RE:
ANIMALS, CULTURE AND ENVIRONMENT, INC
AND AFFILIATES**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (55,604)
Depreciation	1,879
Increase (decrease) in net cash resulting from changes in operating assets and liabilities	
Accounts receivable	54,245
Due from employees	1,450
Inventory	14,577
Accrued expenses	<u>2,110</u>
NET CASH USED IN OPERATING ACTIVITIES	18,657
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments on loans payable	<u>(6,299)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>12,358</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>35,974</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 48,332</u></u>

**PROTECTION AND EDUCATION RE:
ANIMALS, CULTURE AND ENVIRONMENT, INC
AND AFFILIATES**
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Protection and Education re: Animals, Culture & Environment, Inc. and Affiliates (the "Organization") is a not-for-profit organization whose mission is to work hand in hand with communities in Mexico to provide holistic education combined with community action programs that enable people to improve their quality of life as well as their financial stability. The Organization's support comes mainly from foundation and individual contributors.

Principles of Consolidation

The consolidated financial statements include the accounts of Protection and Education re: Animals, Culture & Environment, Inc., PEACE Mexico and PEACE Isla Mujeres. All material intercompany transactions have been eliminated.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consists of grants and contributions receivable. The Organization evaluates the collectability of their receivables on an on-going basis. A reserve for bad debts is provided for those amounts for which management has determined to be questionable for collection. At December 31, 2010, there was no reserve for bad debt recorded.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for the program operations in accordance with donor restrictions.

Temporarily restricted net assets include resources resulting from contributions whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or will be removed by future actions of the Organization pursuant to those restrictions. It is the Organization's policy to classify temporarily restricted contributions received as unrestricted if the restriction expires in the same fiscal year.

Unrestricted net assets include unrestricted resources that are available for the general support of the Organization's operations.

Income Taxes

The Organization is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements.

**PROTECTION AND EDUCATION RE:
ANIMALS, CULTURE AND ENVIRONMENT, INC
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NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Organization expenses advertising and marketing costs as incurred. Advertising and marketing expensed for the year ended December 31, 2010 totaled \$12,427.

Evaluating Uncertain Tax Positions

The Organization accounts for uncertainty in income taxes by using a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization recognizes interest accrued related to uncertain tax positions in interest expense and penalties in general and administrative expense. The Organization's financial statements do not include the effects of any uncertain tax positions as of December 31, 2010. The Organization files informational returns in the U.S. federal jurisdiction. The Organization has no open years prior to 2007.

Donated Services

The Organization recognizes donated services at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Exchange Rates

The U.S. dollar equivalents of the local currency were calculated either at the actual rate of exchange or at the average of the rates during the period.

Use of Estimates in the Preparation of Financial Statements

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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Subsequent Events

Subsequent Events have been evaluated through June 1, 2011 which is the date the financial statements were available to be issued.

Note 2 - LOANS PAYABLE

Loans payable represent interest free loans from individuals which are payable on demand.

Note 3 - RELATED PARTIES

The Organization is affiliated with entities located in Mexico. The Organization solicits contributions for its affiliates to support their missions and to support other program and administrative related services.

Note 4 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains a portion of its cash balances in a financial institution located in the United States. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2010, there were no cash balances in excess of federally insured limits.

The Organization also maintains cash balances in one financial institution located in Mexico. Their total amount is insured by the Institute for the Protection of Banking Savings.