



DJERASSI RESIDENT ARTISTS PROGRAM

Financial Statements

With Independent Auditors' Report

Years Ended

February 29, 2016 and February 28, 2015

DJERASSI RESIDENT ARTISTS PROGRAM

(A California Non-Profit Corporation)
February 29, 2016

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DJERASSI RESIDENT ARTISTS PROGRAM

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REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

**The Board of Directors
The Djerassi Resident Artists Program**

We have audited the accompanying financial statements of the Djerassi Resident Artists Program (a California nonprofit organization) which comprise the statements of financial position as of February 29, 2016 and February 28, 2015 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Djerassi Resident Artists Program as of February 29, 2016 and February 28, 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from Djerassi Resident Artists Program's February 28, 2015 financial statements. In our report dated May 29, 2015, we expressed an unmodified opinion on those financial statements.

Regalia & Associates

July 11, 2016
Danville, California

DJERASSI RESIDENT ARTISTS PROGRAM
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Statements of Financial Position
February 29, 2016 and February 28, 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	\$ 78,141	\$ 54,362
Investments	1,914,288	1,073,415
Accounts, grants and pledges receivable	172,200	144,506
Prepaid expenses and other assets	74,155	82,153
Total current assets	2,238,784	1,354,436
Noncurrent assets:		
Property and equipment, net	3,195,549	3,229,206
Total noncurrent assets	3,195,549	3,229,206
	\$ 5,434,333	\$ 4,583,642

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,210	\$ 26,606
Accrued payroll and related benefits	12,759	8,593
Deferred revenue	51,500	29,710
Total current liabilities	86,469	64,909
Net assets:		
Unrestricted	4,814,427	4,031,051
Temporarily restricted	176,000	130,500
Permanently restricted	357,437	357,182
Total net assets	5,347,864	4,518,733
	\$ 5,434,333	\$ 4,583,642

DJERASSI RESIDENT ARTISTS PROGRAM

Statement of Activities and Changes in Net Assets

For the Year Ended February 29, 2016

(with Summarized Financial Information for the Year Ended February 28, 2015)

<i>Changes in net assets:</i>	Temporarily			2016 Total	2015 Total
	Unrestricted	Restricted	Restricted		
Revenue and support:					
Earned revenue:					
Program services and fees	\$ 122,252	\$ -	\$ -	\$ 122,252	\$ 68,262
Tour income	15,955	-	-	15,955	11,485
Other earned income	8,165	-	-	8,165	17,271
Investment income	105,663	-	-	105,663	66,586
Unrealized investment losses	(227,722)	-	-	(227,722)	(2,329)
Total earned revenue	24,313	-	-	24,313	161,275
Contributed support:					
Donations and contributions	1,533,064	186,900	255	1,720,219	522,751
In-kind contributions	5,020	-	-	5,020	15,713
Fundraising and events	117,344	-	-	117,344	117,536
Net assets released from restrictions	141,400	(141,400)	-	-	-
Total contributed support	1,796,828	45,500	255	1,842,583	656,000
Total revenue and support	1,821,141	45,500	255	1,866,896	817,275
Expenses:					
Programs	662,626	-	-	662,626	534,800
Management and general	166,387	-	-	166,387	178,348
Fundraising	208,752	-	-	208,752	181,705
Total expenses	1,037,765	-	-	1,037,765	894,853
Increase (decrease) in net assets	783,376	45,500	255	829,131	(77,578)
Net assets at beginning of year	4,031,051	130,500	357,182	4,518,733	4,518,733
Net assets at end of year	\$4,814,427	\$ 176,000	\$ 357,437	\$ 5,347,864	\$ 4,441,155

DJERASSI RESIDENT ARTISTS PROGRAM
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Statements of Cash Flows
For the Years Ended February 29, 2016 and February 28, 2015

	2016	2015
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 829,131	\$ (77,578)
Adjustments to reconcile to cash used for operating activities:		
Depreciation	90,691	85,642
Unrealized investment losses	227,722	2,329
Changes in:		
Grants and pledges receivable	(27,694)	(94,944)
Prepaid expenses and other current assets	7,998	(8,335)
Accounts payable and accrued liabilities	(4,396)	9,703
Accrued payroll and related benefits	4,166	(16,939)
Deferred revenue	21,790	24,360
Cash provided by (used for) operating activities	1,149,408	(75,762)
<i>Investing activities:</i>		
Disposition of investments (net of acquisitions)	(1,068,595)	214,462
Acquisition of property and equipment	(57,034)	(122,655)
Cash provided by (used for) investing activities	(1,125,629)	91,807
Net increase in cash and cash equivalents	23,779	16,045
Cash and cash equivalents at beginning of year	54,362	38,317
Cash and cash equivalents at end of year	\$ 78,141	\$ 54,362
<i>Additional cash flow information:</i>		
Interest paid	\$ -	\$ -
State registration tax fees	\$ 150	\$ 150

DJERASSI RESIDENT ARTISTS PROGRAM

**Statement of Functional Expenses
For the Year Ended February 29, 2016**

(with Summarized Financial Information for the Year Ended February 28, 2015)

	Total Programs	Manage- ment and General	Fund- raising	2016 Total	2015 Total
Salaries	\$ 257,117	\$ 75,079	\$ 84,307	\$ 416,503	\$ 379,018
Payroll taxes	19,355	5,652	6,346	31,353	28,307
Benefits	47,948	14,001	15,722	77,671	47,900
Total salaries, taxes, and benefits	324,420	94,732	106,375	525,527	455,225
Artists Stipends	48,120	-	400	48,520	29,520
Bank charges/investment fees	13,779	1,042	175	14,996	9,602
Bad debt expense	-	910	-	910	2,500
Depreciation	79,808	10,883	-	90,691	85,642
Events and hospitality	1,743	620	64,457	66,820	65,173
Insurance	28,258	8,251	9,265	45,774	44,377
Legal and professional	-	9,474	-	9,474	9,355
Miscellaneous	6,747	5,305	300	12,352	16,251
Office and supplies	23,123	11,702	6,056	40,881	36,636
Outside services	36,983	6,623	14,263	57,869	28,552
Postage	2,222	817	1,558	4,597	3,178
Printing	1,846	1,424	2,547	5,817	2,483
Property and other taxes	20	2,347	-	2,367	1,473
Repairs and maintenance	5,402	-	-	5,402	-
Telephone	8,363	3,529	-	11,892	11,245
Travel and meals	70,496	2,999	3,356	76,851	78,611
Utilities	11,296	5,729	-	17,025	15,030
	\$ 662,626	\$ 166,387	\$ 208,752	\$ 1,037,765	\$ 894,853

**Notes to Financial Statements
February 29, 2016**

1. Organization

Djerassi Resident Artists Program ("Djerassi") was incorporated in 1983 as a California tax-exempt, non-profit organization. Djerassi's mission is to support and enhance the creativity of artists by providing uninterrupted time for work, reflection, and collegial interaction in a setting of great natural beauty, and to preserve the land on which the Program is situated. Djerassi is internationally recognized as one of the eminent artist residency programs and strives to provide the best possible residency experience for artists of superior talent from a diverse range of backgrounds and geographical locations.

The organization has a robust, mission-driven earned income program that includes day-long public and private sculpture tours and arts-related workshops and retreats for writers, media artists, photographers, dancers, and visual artists. Djerassi alumni act as workshop leaders and select students via an application process. Artist gatherings of one-two days have included groups of playwrights, choreographers, visual artists, and music composers. Sculpture tours are tailored to highlight the environmental/preservation component of our mission and serve approximately 700 local residents, students, and visitors.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of Djerassi have been prepared on the accrual basis of accounting in accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Djerassi is required to report 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.

Support and Revenue Recognition

Djerassi records contributions in accordance with ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a 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 net assets released from restrictions.

Uses of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform to the presentation used in 2016.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Accounts, Grants and Pledges Receivable

Accounts, grants, and pledges receivable are recorded when Djerassi receives formal written notification of the funding commitments and are stated at estimated net realizable value.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in FDIC-insured bank accounts and highly liquid investments with maturity dates of less than three months. Cash equivalents include short-term interest-bearing investments in money market and liquid asset accounts. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment

Property and equipment purchased by Djerassi is stated at cost. Property and equipment donated to Djerassi is recorded at estimated fair value as of the date of the gift. The cost of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Components of property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets of from 3 to 40 years.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes, Income Taxes*. Under ASC 740, Djerassi is required to report information regarding its exposure to various tax positions taken by Djerassi and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that Djerassi has adequately evaluated its current tax positions and has concluded that as of February 29, 2016 and February 28, 2015, Djerassi does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

Djerassi has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that Djerassi continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Djerassi may periodically receive unrelated business income requiring Djerassi to file separate tax returns under federal and state statutes. Under such conditions, Djerassi calculates and accrues the applicable taxes payable.

Functional Allocation of Expenses

The costs of providing Djerassi's various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs of operating the various programs of Djerassi have been detailed in the Statement of Functional Expenses.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

Djerassi 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 or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

3. Cash and Cash Equivalents

Cash and cash equivalents of \$78,141 and \$54,362 at February 29, 2016 and February 28, 2015, respectively, consist of deposits in local financial institutions. The balances reflect funds on deposit in various checking accounts that have a maturity date of 90 days or less. Djerassi attempts to limit its credit risk associated with cash equivalents by utilizing financial institutions that are well capitalized.

4. Investments and Endowment

Investments consist of the following at February 29, 2016 and February 28, 2015:

	2016	2015
Money market accounts	\$ 100,092	\$ 28,559
Mutual funds principally invested in bonds	443,583	308,500
Mutual funds principally invested in equities	1,255,654	251,059
Other (REIT, Emerging Markets, Foreign Funds)	114,959	485,297
Total investments	\$ 1,914,288	\$ 1,073,415

Endowment net asset composition by type of fund is summarized as follows as of February 29, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Money market accounts	\$ 100,092	\$ -	\$ -	\$ 100,092
Mutual funds principally invested in bonds	161,460	176,000	106,123	443,583
Mutual funds principally invested in equities	1,004,340	-	251,314	1,255,654
Other (REIT, Emerging Markets, Foreign Funds)	114,959	-	-	114,959
Total investments	\$ 1,380,851	\$ 176,000	\$ 357,437	\$1,914,288

(continued)

DJERASSI RESIDENT ARTISTS PROGRAM

Notes to Financial Statements

4. Investments and Endowment (continued)

Changes in endowment net assets for the year ended February 29, 2016 and net asset composition by type of fund at February 29, 2016 is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total investments-beginning of year	\$ 585,733	\$ 130,500	\$ 357,182	\$ 1,073,415
<i>Investment return:</i>				
Investment income	-	10,371	-	10,371
Net realized and unrealized losses	-	(132,431)	-	(132,431)
Total investment return	-	(122,060)	-	(122,060)
Contributions	-	-	255	255
Appropriation of endowment assets	(122,060)	122,060	-	-
Transfers of assets	917,178	45,500	-	962,678
Subtotals	\$ 1,380,851	\$ 176,000	\$ 357,437	\$ 1,914,288
<i>Endowment net assets by type of fund:</i>				
Donor-restricted funds	-	-	357,437	357,437
<i>Non-endowment net assets:</i>				
Undesignated	1,380,851	176,000	-	1,556,851
Total investments-end of year	\$ 1,380,851	\$ 176,000	\$ 357,437	\$ 1,914,288

During the years ended February 29, 2016 and February 28, 2015, earnings on investments were reinvested. Net unrealized losses amounted to (\$227,722) and (\$2,329) for the years ended February 29, 2016 and February 28, 2015, respectively. Net realized gains amounted to \$95,291 and \$31,127 for the years ended February 29, 2016 and February 28, 2015, respectively. Interest, dividends, and realized gains are reflected as components of investment return on the statement of activities and changes in net assets.

Djerassi has an Investment Committee which has the responsibility for establishing Djerassi's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters. The committee routinely oversees investment performances and reviews cash flows necessary to sustain Djerassi's operating activities.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Djerassi to retain as a fund of perpetual duration. In accordance with ASC 958.205.55.31, there are no deficiencies of this nature that are required to be reported in unrestricted net assets at February 29, 2016. Such future deficiencies could result from unfavorable market fluctuations occurring after the investment of new restricted contributions and continued appropriation for certain programs which are deemed prudent by the Board of Directors. Djerassi's investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of Djerassi's management. Although there were none at February 29, 2016, deficiencies of this nature are reported in unrestricted net assets.

(continued)

Notes to Financial Statements

4. Investments and Endowment (continued)

Return Objectives and Risk Parameters

Djerassi has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Djerassi must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Investment Committee and the Board of Directors, the endowment assets are invested in a manner that is intended to (1) ensure the steady and long-term growth of the funds of its programs with the specific goal of preserving and increasing principal by at least the rate of inflation (local CPI) and producing income of at least five percent (5%) of the principal, (2) subject Djerassi to a moderate level of investment risk, and (c) maintain sufficient liquidity to meet planned expenditures. The tradeoff between gains and risk shall be tracked by a periodic review of investments (Sharp Ratio).

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Djerassi relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Djerassi targets a diversified asset allocation that places a greater emphasis on equity-based investments (mutual funds) to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Djerassi follows accepted accounting policy to withdrawal income from any of the investment accounts no more frequently than four (4) times per fiscal year. The exact amount and date of each withdrawal shall be at the discretion of the Executive Director and set prior to each fiscal year by vote of the Board of Trustees, as may be amended by vote of the full Board if necessary.

In following this policy, Djerassi considered the long-term expected return on the investments in its portfolio. Accordingly, over the long term, Djerassi expects the current spending policy to allow its endowment fund assets to grow at a moderate rate annually. This is consistent with Djerassi's objective to maintain the purchasing power of the endowment assets held in perpetuity.

5. Accounts, Grants and Pledges Receivable

Accounts, grants and pledges receivable of \$172,200 and \$144,506 at February 29, 2016 and February 28, 2015, respectively, represent amounts principally due from individuals, foundations, corporations, and other organizations. Djerassi uses the direct write-off method with regards to receivables deemed uncollectible. During the years ended February 29, 2016 and February 28, 2015, Djerassi recognized bad debt expense of \$910 and \$2,500, respectively. Management has evaluated the receivables as of February 29, 2016 and determined that such amounts are fully collectible based on an assessment of the financial health of the donors.

DJERASSI RESIDENT ARTISTS PROGRAM

Notes to Financial Statements

6. Fair Value Measurements

Composition of assets utilizing fair value measurements at February 29, 2016 is as follows:

	Totals	Level 1	Level 2	Level 3
Money market accounts	\$ 100,092	\$ 100,092	\$ -	\$ -
Mutual funds principally invested in bonds	443,583	443,583	-	-
Mutual funds principally invested in equity securities	1,255,653	1,255,653	-	-
Other (REIT, Emerging Markets, Foreign Funds)	114,959	-	-	114,959
Grants and pledges receivable	172,200	-	172,200	-
Totals	\$ 2,086,487	\$1,799,328	\$ 172,200	\$ 114,959

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models.

Assets Classified as Level 3

The significant unobservable inputs used in the fair value measurement of the other investments (REIT, Emerging Markets, Foreign Funds) are amounts estimated and prepared by an independent broker.

7. Property and Equipment

Property and equipment consist of the following at February 29, 2016 and February 28, 2015:

	2016	2015
Land and land improvements	\$ 1,695,494	\$ 1,695,494
Barn, ranch, buildings, and improvements	2,004,120	1,957,689
Middlebrook Building Project	1,090,693	1,090,693
Machinery and equipment	194,220	185,090
Furniture and fixtures	49,744	48,271
Less: accumulated depreciation and amortization	(1,838,722)	(1,748,031)
Property and equipment, net	\$ 3,195,549	\$ 3,229,206

Depreciation expense amounted to \$90,691 and \$85,642 for the years ended February 29, 2016 and February 28, 2015, respectively.

Notes to Financial Statements

8. Lease Commitments

Djerassi is obligated under a multi-year operating lease for certain computer equipment expiring January 21, 2018 and which requires a monthly rental payment of \$84 (which continues through the end of the lease term). Minimum future lease payments for all operating leases with terms of one year or more are as follows at February 29, 2016: Year ending February 28, 2017: \$1,008; and Year ending February 28, 2018: \$924.

9. In-Kind Contributions

During the years ended February 29, 2016 and February 28, 2015, Djerassi recognized \$5,020 and \$15,713, respectively, of in-kind contributions. The values of these contributions have been reflected in the financial statements because such donations were susceptible to objective measurement and therefore met the criteria for recognition under ASC 958.30 *Gifts in Kind*.

10. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, Djerassi is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the Statements of Financial Position based on hourly rates in effect at the end of the fiscal year. At February 29, 2016 and February 28, 2015, Djerassi reflected \$12,759 and \$8,593, respectively, in accrued payroll and related benefits.

11. Retirement Plan

Djerassi maintains a salary deferral plan for eligible employees that is qualified under Internal Revenue Code Section 401(k). This plan was adopted January 1, 2013 and replaced the Simple IRA plan previously offered. The plan is available to employees who meet certain age and eligibility requirements. During the years ended February 29, 2016 and February 28, 2015, Djerassi contributed \$19,581 and \$18,884, respectively, to the plan.

12. Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and provide future services, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Djerassi to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond Djerassi's control, such as generosity of donors, government contract funding and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank and other financial institutions.

(continued)

Notes to Financial Statements

12. Contingencies (continued)

Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Current and prior costs of certain grants and contracts are subject to audit and final acceptance by the granting agencies involved.

13. Restricted Net Assets

Temporarily Restricted: Djerassi recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at February 29, 2016 and February 28, 2015:

<u>Restricted by:</u>	<u>2016</u>	<u>2015</u>
Alliance of Artist Communities	\$ 10,000	\$ 10,000
Art Silicon Valley	-	5,500
Contributions pledged for fiscal future years	25,000	-
Ford Family Foundation	23,000	-
Hewlett Foundation	50,000	100,000
Kenneth Rainin Foundation	50,000	-
Rasmuson Foundation	15,000	15,000
Ucross Foundation	3,000	-
	<u>\$ 176,000</u>	<u>\$ 130,500</u>

During the year ended February 29, 2016, Djerassi received restricted contributions of \$186,900 and released \$141,400 of previously restricted donations. During the year ended February 28, 2015, Djerassi received restricted contributions of \$200,500 and released \$176,440 of previously restricted donations.

Permanently Restricted: Permanently restricted net assets consist of the following at February 29, 2016 and February 28, 2015:

	<u>2016</u>	<u>2015</u>
Restricted for endowment	<u>\$ 357,437</u>	<u>\$ 357,182</u>

During the years ended February 29, 2016 and February 28, 2015, Djerassi received restricted contributions of \$255 and \$250, respectively. All of the endowment funds, classified as permanently restricted net assets, represent donor contributions that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. By law, Djerassi is permitted to transfer all interest and realized/unrealized gains to unrestricted net assets.

14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Djerassi has evaluated subsequent events through July 11, 2016, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which need to be disclosed.