



# Djerassi Resident Artists Program

## DJERASSI RESIDENT ARTISTS PROGRAM

### Financial Statements

With Independent Auditors' Report

*Years Ended*

February 28, 2015 and 2014

**DJERASSI RESIDENT ARTISTS PROGRAM**

(A California Non-Profit Corporation)  
February 28, 2015

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**DJERASSI RESIDENT ARTISTS PROGRAM**

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## 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 28, 2015 and 2014 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 28, 2015 and 2014 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, 2014 financial statements. In our report dated May 20, 2014, we expressed an unqualified opinion on those financial statements.

*Regalia & Associates*

May 29, 2015  
Danville, California

<b>DJERASSI RESIDENT ARTISTS PROGRAM</b>
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**Statements of Financial Position  
February 28, 2015 and 2014**

**ASSETS**

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 53,062	\$ 38,317
Investments	1,073,415	1,290,206
Accounts, grants and pledges receivable	144,506	49,562
Prepaid expenses and other assets	83,453	73,818
Total current assets	1,354,436	1,451,903
Noncurrent assets:		
Property and equipment, net	3,229,206	3,192,193
Total noncurrent assets	3,229,206	3,192,193
	\$ 4,583,642	\$ 4,644,096

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable and accrued liabilities	\$ 26,606	\$ 16,903
Accrued payroll and related benefits	8,593	25,532
Deferred revenue	29,710	5,350
Total current liabilities	64,909	47,785
Net assets:		
Unrestricted	4,031,051	4,132,939
Temporarily restricted	130,500	106,440
Permanently restricted	357,182	356,932
Total net assets	4,518,733	4,596,311
	\$ 4,583,642	\$ 4,644,096

**DJERASSI RESIDENT ARTISTS PROGRAM**

**Statement of Activities and Changes in Net Assets**  
**For the Year Ended February 28, 2015**  
*(with Summarized Financial Information for the Year Ended February 28, 2014)*

<i>Changes in net assets:</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenue and support:					
Earned revenue:					
Program services and fees	\$ 68,262	\$ -	\$ -	\$ 68,262	\$ 51,875
Tour income	11,485	-	-	11,485	3,315
Other earned income	17,271	-	-	17,271	9,379
Investment income	66,586	-	-	66,586	80,065
Unrealized investment losses	(2,329)	-	-	(2,329)	(2,306)
Total earned revenue	161,275	-	-	161,275	142,328
Contributed support:					
Donations and contributions	322,001	200,500	250	522,751	297,282
In-kind contributions	15,713	-	-	15,713	3,662
Fundraising and events	117,536	-	-	117,536	89,504
Net assets released from restrictions	176,440	(176,440)	-	-	-
Total contributed support	631,690	24,060	250	656,000	390,448
Total revenue and support	792,965	24,060	250	817,275	532,776
Expenses:					
Programs	534,800	-	-	534,800	517,734
Management and general	178,348	-	-	178,348	179,576
Fundraising	181,705	-	-	181,705	139,429
Total expenses	894,853	-	-	894,853	836,739
Increase (decrease) in net assets	(101,888)	24,060	250	(77,578)	(303,963)
Net assets at beginning of year	4,132,939	106,440	356,932	4,596,311	4,900,274
Net assets at end of year	4,031,051	130,500	357,182	4,518,733	4,596,311

<b>DJERASSI RESIDENT ARTISTS PROGRAM</b>
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**Statements of Cash Flows**  
**For the Years Ended February 28, 2015 and 2014**

	2015	2014
<i>Operating activities:</i>		
Decrease in net assets	\$ (77,578)	\$ (303,963)
Adjustments to reconcile to cash used for operating activities:		
Depreciation	85,642	72,918
Unrealized investment gains	2,329	2,306
Changes in:		
Grants and pledges receivable	(94,944)	133,800
Prepaid expenses and other current assets	(9,635)	(7,708)
Accounts payable and accrued liabilities	9,703	(34,477)
Accrued payroll and related benefits	(16,939)	4,696
Cash used for operating activities	(77,062)	(132,429)
 <i>Investing activities:</i>		
Disposition of investments (net of acquisitions)	214,462	198,754
Acquisition of property and equipment	(122,655)	(112,235)
Cash provided by investing activities	91,807	86,519
 Net increase (decrease) in cash and cash equivalents	14,745	(45,909)
Cash and cash equivalents at beginning of year	38,317	84,226
 Cash and cash equivalents at end of year	\$ 53,062	\$ 38,317
 <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 28, 2015**

*(with Summarized Financial Information for the Year Ended February 28, 2014)*

	Total Programs	Manage- ment and General	Fund- raising	2015 Total	2014 Total
Salaries	\$ 221,046	\$ 69,882	\$ 88,090	\$ 379,018	\$ 374,407
Payroll taxes	16,509	5,219	6,579	28,307	28,323
Benefits	27,935	8,832	11,133	47,900	83,492
Total salaries, taxes, and benefits	265,490	83,933	105,802	455,225	486,222
Bank charges/investment fees	-	8,813	789	9,602	15,101
Bad debt expense	-	2,500	-	2,500	1,507
Depreciation	85,642	-	-	85,642	72,918
Events and hospitality	15,899	586	48,688	65,173	13,834
Insurance	19	44,358	-	44,377	43,174
Legal and professional	-	9,355	-	9,355	10,152
Miscellaneous	30,087	2,732	12,952	45,771	15,189
Office and supplies	24,524	6,028	6,084	36,636	38,167
Outside services	22,530	5,355	667	28,552	29,754
Postage	-	1,228	1,950	3,178	7,553
Printing	-	800	1,683	2,483	7,502
Property and other taxes	117	1,356	-	1,473	2,606
Repairs and maintenance	-	-	-	-	1,759
Telephone	7,830	3,415	-	11,245	11,188
Travel and meals	74,411	1,110	3,090	78,611	62,597
Utilities	8,251	6,779	-	15,030	17,516
	<b>\$ 534,800</b>	<b>\$ 178,348</b>	<b>\$ 181,705</b>	<b>\$ 894,853</b>	<b>\$ 836,739</b>

## DJERASSI RESIDENT ARTISTS PROGRAM

### Notes to Financial Statements February 28, 2015

#### 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 one-week 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.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.



**DJERASSI RESIDENT ARTISTS PROGRAM**

**Notes to Financial Statements**

**2. Summary of Significant Accounting Policies** *(continued)*

*Grants and Pledges Receivable*

Grants, pledges, and contributions 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 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.

## DJERASSI RESIDENT ARTISTS PROGRAM

### 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 \$53,062 and \$38,317 at February 28, 2015 and 2014, 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 and highly rated.

#### 4. Investments and Endowment

Investments consist of the following at February 28, 2015 and 2014:

	2015	2014
Money market accounts	\$ 28,559	\$ 42,966
Mutual funds principally invested in bonds	308,500	435,569
Mutual funds principally invested in equity securities	251,059	285,490
Other (REIT, Emerging Markets, Foreign Funds)	485,297	526,181
<b>Total investments</b>	<b>\$ 1,073,415</b>	<b>\$ 1,290,206</b>

Endowment net asset composition by type of fund is summarized as follows as of February 28, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Money market accounts	\$ 28,559	\$ -	\$ -	\$ 28,559
Mutual funds principally invested in bonds	86,877	115,500	106,123	308,500
Mutual funds principally invested in equity securities	-	-	251,059	251,059
Other (REIT, Emerging Markets, Foreign Funds)	485,297	-	-	485,297
<b>Total investments</b>	<b>\$ 600,733</b>	<b>\$ 115,500</b>	<b>\$ 357,182</b>	<b>\$1,073,415</b>

*(continued)*

**DJERASSI RESIDENT ARTISTS PROGRAM**

**Notes to Financial Statements**

**4. Investments and Endowment (continued)**

Changes in endowment net assets for the year ended February 28, 2015 and net asset composition by type of fund at February 28, 2015 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total investments-beginning of year	\$ 826,834	\$ 106,440	\$ 356,932	\$ 1,290,206
<i>Investment return:</i>				
Investment income	-	35,459	-	35,459
Net realized and unrealized losses	-	28,798	-	28,798
Total investment return	-	64,257	-	64,257
Contributions	-	-	250	250
Appropriation of endowment assets	64,257	(64,257)	-	-
Transfers of assets	(305,358)	24,060	-	(281,298)
Subtotals	\$ 585,733	\$ 130,500	\$ 357,182	\$ 1,073,415
<i>Endowment net assets by type of fund:</i>				
Donor-restricted funds	-	-	357,182	357,182
<i>Non-endowment net assets:</i>				
Undesignated	585,733	130,500	-	716,233
Total investments-end of year	\$ 585,733	\$ 130,500	\$ 357,182	\$ 1,073,415

During the years ended February 28, 2015 and 2014, earnings on investments were reinvested. Net unrealized losses amounted to \$2,329 and \$2,306 for the years ended February 28, 2015 and 2014, respectively. Net realized gains amounted to \$31,127 and \$38,070 for the years ended February 28, 2015 and 2014, respectively. All realized and unrealized gains (losses) 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 28, 2015. 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 28, 2015, deficiencies of this nature are reported in unrestricted net assets.

(continued)

## DJERASSI RESIDENT ARTISTS PROGRAM

### 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) produce results that approximate the price and yield results of the general market conditions (2) subject Djerassi to a moderate level of investment risk and (c) maintain sufficient liquidity to meet planned expenditures.

##### 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 transfer all investment earnings to unrestricted net assets. Unrestricted funds may be transferred for expenditure monthly. The Board may direct the transfer of unrestricted funds in excess of a target balance to other Djerassi purposes. Distributions from permanently restricted funds in excess of 7% of the fair market value of the fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made, are ordinarily deemed imprudent.

In accordance with this policy, Djerassi appropriated \$64,257 and \$77,759 which represented earnings from its investment portfolio for the years ended February 28, 2015 and 2014, respectively. 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 \$144,506 and \$49,562 at February 28, 2015 and 2014, 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 year ended February 28, 2015 and 2014, Djerassi recognized bad debt expense of \$2,500 and \$1,507, respectively. Management has evaluated the receivables as of February 28, 2015 and determined that such amounts are fully collectible based on an analysis of the donors' financial health.

**DJERASSI RESIDENT ARTISTS PROGRAM**

**Notes to Financial Statements**

**6. Fair Value Measurements**

Composition of assets utilizing fair value measurements at February 28, 2015 is as follows:

	Totals	Level 1	Level 2	Level 3
Money market accounts	\$ 28,559	\$ 28,559	\$ -	\$ -
Mutual funds principally invested in bonds	308,500	308,500	-	-
Mutual funds principally invested in equity securities	251,059	251,059	-	-
Other (REIT, Emerging Markets, Foreign Funds)	485,297	-	-	485,297
Grants and pledges receivable	144,506	-	144,506	-
<b>Total investments</b>	<b>\$ 1,217,921</b>	<b>\$ 588,118</b>	<b>\$ 144,506</b>	<b>\$ 485,297</b>

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 28, 2015 and 2014:

	2015	2014
Land and land improvements	\$ 1,695,494	\$ 1,695,494
Barn, ranch, buildings, and improvements	1,957,689	1,849,766
Middlebrook Building Project	1,090,693	1,090,693
Machinery and equipment	185,090	172,649
Furniture and fixtures	48,271	45,980
Less: accumulated depreciation and amortization	(1,748,031)	(1,662,389)
<b>Property and equipment, net</b>	<b>\$ 3,229,205</b>	<b>\$ 3,192,193</b>

Depreciation expense amounted to \$85,642 and \$72,918 for the years ended February 28, 2015 and 2014, respectively.

**DJERASSI RESIDENT ARTISTS PROGRAM**

**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 28, 2015: Year ending February 29, 2016: \$1,008; Year ending February 28, 2017: \$1,008; and Year ending February 28, 2018: \$924.

**9. In-Kind Contributions**

During the years ended February 28, 2015 and 2014, Djerassi recognized \$15,713 and \$3,662 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 28, 2015 and 2014, Djerassi reflected \$8,593 and \$25,532, 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 28, 2015 and 2014, Djerassi contributed \$18,884 and \$18,333, 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)*

**DJERASSI RESIDENT ARTISTS PROGRAM**

**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 28, 2015 and 2014:

<u>Restricted by:</u>	<u>2015</u>	<u>2014</u>
Alliance of Artist Communities	\$ 10,000	\$ 10,000
Contributions Pledged for fiscal 2016	-	35,540
The Ford Family Foundation	-	23,000
Hewlett Foundation	100,000	-
Art Silicon Valley	5,500	-
Kenneth Rainin Foundation	-	20,000
Oshita and others	-	2,900
Rasmuson Foundation	15,000	15,000
	<u>\$ 130,500</u>	<u>\$ 106,440</u>

During the year ended February 28, 2015, Djerassi received restricted contributions of \$200,500 and released \$176,440 of previously restricted donations. During the year ended February 28, 2014, Djerassi received restricted contributions of \$87,840 and released \$144,900 of previously restricted donations.

Permanently Restricted: Permanently restricted net assets consist of the following at February 28, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Restricted for endowment	<u>\$ 357,182</u>	<u>\$ 356,932</u>

During each of the years ended February 28, 2015 and 2014, Djerassi received restricted contributions of \$250. 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 May 29, 2015, the date the financial statements were available to be issued. On May 27, 2015, Djerassi received a bequest in the amount of \$847,439 from the estate of Carl Djerassi. In the opinion of management, there are no other subsequent events which need to be disclosed.