DJERASSI RESIDENT ARTISTS PROGRAM

Financial Statements

With Independent Auditors' Report

Years Ended

February 28, 2017 and February 29, 2016

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

DJERASSI RESIDENT ARTISTS PROGRAM

(A California Non-Profit Corporation)
February 28, 2017

CONTENTS

DJERASSI RESIDENT ARTISTS PROGRAM
2325 Bear Gulch Road
Woodside, California 94062-4405
Office 650-747-1250; Fax 650-747-0105
Web Site: www.djerassi.org
Email: info@djerassi.org

R&A CPA
Regalia& Associates

C E R T I F I E D P U B L I C A C C O U N T A N T S
1 0 3 TOWN & COUNTRY DRIVE , SUITE K , DANVILLE , CALIFORNIA 94526
DOUGLAS REGALIA, CPA
MARIANNE RYAN
JANICE TAYLOR, CPA
LISA CLOVEN, CPA
JENNY SO, CPA
JENNIFER JENSEN
DANA CHAVARRIA, CPA
TRICIA WILSON
WENDY THOMAS, CPA
LISA PARKER, CPA [inactive]
JEANNINE REGALIA, CPA
WWW.MRCPA.COM OFFICE: 925.314.0390 FAX: 925.314.0469

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, 2017 and February 29, 2016 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, 2017 and February 29, 2016 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 29, 2016 financial statements. In our report dated July 11, 2016, we expressed an unmodified opinion on those financial statements.

Regalia & Associates

June 26, 2017
Danville, California

Statements of Financial Position
February 28, 2017 and February 29, 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	**$ 79,961**	$ 78,141
Investments	**3,263,028**	1,914,288
Accounts, grants and pledges receivable	**145,437**	172,200
Prepaid expenses and other assets	**20,050**	7,637
Total current assets	**3,508,476**	2,172,266
Noncurrent assets:		
Long-term grants and pledges receivable, net	**120,792**	-
Property and equipment, net	**3,138,630**	3,195,549
Artwork	**66,518**	66,518
Rebranding	**19,501**	-
Total noncurrent assets	**3,345,441**	3,262,067
	$ 6,853,917	$ 5,434,333

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities:		
Accounts payable and accrued liabilities	**$ 64,622**	$ 22,210
Accrued payroll and related benefits	**30,256**	12,759
Deferred revenue	**21,606**	51,500
Total current liabilities	**116,484**	86,469
Net assets:		
Unrestricted	**5,988,075**	4,814,427
Temporarily restricted	**391,671**	176,000
Permanently restricted	**357,687**	357,437
Total net assets	**6,737,433**	5,347,864
	$ 6,853,917	$ 5,434,333

Statement of Activities and Changes in Net Assets
For the Year Ended February 28, 2017
(with Summarized Financial Information for the Year Ended February 29, 2016)

Changes in net assets:	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Revenue and support:					
Earned revenue:					
Program services and fees	$ 139,210	$ -	$ -	$ 139,210	$ 122,252
Tour income	3,575	-	-	3,575	15,955
Other earned income	4,895	-	-	4,895	8,165
Investment income	52,493	-	-	52,493	105,663
Unrealized investment gain (losses)	279,731	-	-	279,731	(227,722)
Total earned revenue	479,904	-	-	479,904	24,313
Contributed support:					
Donations and contributions	1,600,330	425,909	250	2,026,489	1,720,219
In-kind contributions	17,256	-	-	17,256	5,020
Fundraising and events	110,727	-	-	110,727	117,344
Discount on long-term pledges	-	(1,208)		(1,208)	-
Net assets released from restrictions	209,030	(209,030)	-	-	-
Total contributed support	1,937,343	215,671	250	2,153,264	1,842,583
Total revenue and support	2,417,247	215,671	250	2,633,168	1,866,896
Expenses:					
Programs	746,917	-	-	746,917	662,626
Management and general	223,872	-	-	223,872	166,387
Fundraising	272,810	-	-	272,810	208,752
Total expenses	1,243,599	-	-	1,243,599	1,037,765
Increase (decrease) in net assets	1,173,648	215,671	250	1,389,569	829,131
Net assets at beginning of year	4,814,427	176,000	357,437	5,347,864	5,347,864
Net assets at end of year	$5,988,075	$ 391,671	$ 357,687	$ 6,737,433	$ 6,176,995

Statements of Cash Flows
For the Years Ended February 28, 2017 and February 29, 2016

	2017	2016
Operating activities:		
Increase in net assets	**$ 1,389,569**	$ 829,131
Adjustments to reconcile to cash used for operating activities:		
Depreciation	**106,761**	90,691
Change in discount for multi-year receivables	**(1,208)**	-
Unrealized investment (gains) losses	**(279,731)**	227,722
Changes in:		
Grants and pledges receivable	**(92,821)**	(27,694)
Prepaid expenses and other current assets	**(12,413)**	7,998
Rebranding	**(19,501)**	-
Accounts payable and accrued liabilities	**42,412**	(4,396)
Accrued payroll and related benefits	**17,497**	4,166
Deferred revenue	**(29,894)**	21,790
Cash provided by operating activities	**1,120,671**	1,149,408
Investing activities:		
Acquisition of investments (net of dispositions)	**(1,069,009)**	(1,068,595)
Acquisition of property and equipment	**(49,842)**	(57,034)
Cash used for investing activities	**(1,118,851)**	(1,125,629)
Net increase in cash and cash equivalents	**1,820**	23,779
Cash and cash equivalents at beginning of year	**78,141**	54,362
Cash and cash equivalents at end of year	**$ 79,961**	$ 78,141
Additional cash flow information:		
Interest paid	**$ -**	$ -
State registration tax fees	**$ 150**	$ 150

See accompanying auditors' report and notes to financial statements.

Statement of Functional Expenses
For the Year Ended February 28, 2017
(with Summarized Financial Information for the Year Ended February 29, 2016)

	Total Programs	Management and General	Fundraising	2017 Total	2016 Total
Salaries	$ 257,447	$ 75,010	$ 117,776	**$ 450,233**	$ 416,503
Payroll taxes	20,278	5,738	9,010	**35,026**	31,353
Benefits	59,751	13,760	16,171	**89,682**	77,671
Total salaries, taxes, and benefits	337,476	94,508	142,957	**574,941**	525,527
Artists Stipends	51,023	3,750	1,237	**56,010**	48,520
Bank charges/investment fees	134	31,013	209	**31,356**	14,996
Bad debt expense	-	13,009	-	**13,009**	910
Depreciation	93,950	12,811	-	**106,761**	90,691
Events and hospitality	3,505	1,962	53,036	**58,503**	66,820
In kind rent	-	6,750	-	**6,750**	-
Insurance	26,927	7,845	12,318	**47,090**	45,774
Legal and professional	-	9,967	-	**9,967**	9,474
Miscellaneous	5,292	4,871	1,335	**11,498**	12,352
Office and supplies	9,169	2,393	17,231	**28,793**	12,648
Outside services	39,986	13,637	23,019	**76,642**	57,869
Postage	1,170	1,240	1,555	**3,965**	4,597
Printing	4,984	-	3,934	**8,918**	5,817
Property and other taxes	1,515	316	-	**1,831**	2,367
Repairs and maintenance	53,711	5,266	5,588	**64,565**	33,635
Telephone	10,041	3,678	350	**14,069**	11,892
Travel and meals	96,761	2,453	10,041	**109,255**	76,851
Utilities	11,273	8,403	-	**19,676**	17,025
	$ 746,917	**$ 223,872**	**$ 272,810**	**$ 1,243,599**	$ 1,037,765

Notes to Financial Statements
February 28, 2017

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 2016 financial statements in order to conform to the presentation used in 2017.

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 28, 2017 and February 29, 2016, 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 $79,961 and $78,141 at February 28, 2017 and February 29, 2016, 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. Included in cash and cash equivalents at February 28, 2017 is $43,072 in donor restricted funds received in connection with the Djerassi Forever project.

4. Investments and Endowment

Investments consist of the following at February 28, 2017 and February 29, 2016:

	2017	2016
Money market accounts	**$ 103,037**	$ 100,092
Mutual funds principally invested in bonds	**766,996**	443,583
Mutual funds principally invested in equities	**2,328,040**	1,255,654
Other (REIT, Emerging Markets, Foreign Funds)	**64,955**	114,959
Total investments	**$ 3,263,028**	$ 1,914,288

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	$ 103,037	$ -	$ -	**$ 103,037**
Mutual funds principally invested in bonds	269,202	391,671	106,123	**766,996**
Mutual funds principally invested in equities	2,076,476	-	251,564	**2,328,040**
Other (REIT, Emerging Markets, Foreign Funds)	64,955	-	-	**64,955**
Total investments	**$ 2,513,670**	**$ 391,671**	**$ 357,687**	**$3,263,028**

(continued)

Notes to Financial Statements

4. Investments and Endowment *(continued)*

Changes in endowment net assets for the year ended February 28, 2017 and net asset composition by type of fund at February 28, 2017 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total investments-beginning of year	$ 1,380,851	$ 176,000	$ 357,437	$ 1,914,288
Investment return:				
Investment income	-	52,493	-	52,493
Net realized and unrealized gains	-	279,731	-	279,731
Total investment return	-	332,224	-	332,224
Contributions	-	215,671	250	250
Appropriation of endowment assets	332,224	(332,224)	-	-
Transfers of assets	1,016,266	-	-	1,016,266
Total investments-end of year	$ 1,380,851	$ 391,671	$ 357,687	$ 3,263,028
Endowment net assets by type of fund:				
Donor-restricted funds	-	-	357,687	357,687
Non-endowment net assets:				
Undesignated	1,380,851	391,671	-	1,556,851
Total investments-end of year	**$ 1,380,851**	**$ 391,671**	**$ 357,687**	**$ 3,263,028**

During the years ended February 28, 2017 and February 29, 2016, earnings on investments were reinvested. Net unrealized gains (losses) amounted to $279,731 and ($227,722) for the years ended February 28, 2017 and February 29, 2016, respectively. Net realized gains amounted to $11,831 and $95,291 for the years ended February 28, 2017 and February 29, 2016, 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 28, 2017. 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, 2017, deficiencies of this nature are reported in unrestricted net assets.

(continued)

5. 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.

6. Accounts, Grants and Pledges Receivable

Accounts, grants and pledges receivable of $266,229 and $172,200 at February 28, 2017 and February 29, 2016, respectively, represent amounts principally due from individuals, foundations, corporations, and other organizations. Grants and pledges receivable at February 28, 2017 are expected to be collected as follows:

Year ending February 28, 2018	$ 145,339
Year ending February 28, 2019	67,000
Year ending February 28, 2020	55,000
Total pledges receivable	267,339
Less: discount for multi-year contributions receivable	(1,208)
Less: grants and pledges receivable due within one year (current)	(145,339)
Grants and pledges receivable due after one year (noncurrent)	$ 120,792

Continued

6. Accounts, Grants and Pledges Receivable *(continued)*

Grants and pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.0% per annum. The discount related to the present value calculation is being accreted back into income over the estimated collection period of the grants and pledges receivable. The change in discount for multi-year receivables amounted to $1,208 for the year ended February 28, 2017.

Djerassi uses the direct write-off method with regards to receivables deemed uncollectible. Amounts written off as bad debt expense amounted to $13,009 and $910 during the years ended February 28, 2017 and February 29, 2016, respectively, and were principally the result of clearing incorrectly recorded receivables from prior years. Management has evaluated the receivables as of February 28, 2017 and determined that such amounts are fully collectible based on an assessment of the financial strength of the donors.

7. Fair Value Measurements

Composition of assets utilizing fair value measurements at February 28, 2017 is as follows:

	Totals	Level 1	Level 2	Level 3
Money market accounts	$ 103,037	$ 103,037	$ -	$ -
Mutual funds principally invested in bonds	766,996	766,996	-	-
Mutual funds principally invested in equity securities	2,328,040	2,328,040	-	-
Other (REIT, Emerging Markets, Foreign Funds)	64,955	-	-	64,955
Grants and pledges receivable	266,229	-	266,229	-
Totals	$ 3,529,257	$ 3,198,073	$ 266,229	$ 64,955

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.

<u>Assets Classified as Level 3</u>

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.

8. Property and Equipment

Property and equipment consist of the following at February 28, 2017 and February 29, 2016:

	2017	2016
Land and land improvements	$ **1,695,494**	$ 1,695,494
Barn, ranch, buildings, and improvements	**2,023,440**	2,004,120
Middlebrook Building Project	**1,090,693**	1,090,693
Machinery and equipment	**211,592**	194,220
Furniture and fixtures	**62,893**	49,744
Less: accumulated depreciation and amortization	**(1,945,482)**	(1,838,722)
Property and equipment, net	$ **3,138,630**	$ 3,195,549

Depreciation expense amounted to $106,760 and $90,691 for the years ended February 28, 2017 and February 29, 2016, respectively.

9. 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 at February 28, 2017 are as follows: $924 for the year ending February 28, 2018.

10. In-Kind Contributions

During the years ended February 28, 2017 and February 29, 2016, Djerassi recognized $17,256 and $5,020, 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*.

11. 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, 2017 and February 29, 2016, Djerassi reflected $30,256 and $12,759, respectively, in accrued payroll and related benefits.

Notes to Financial Statements

12. 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, 2017 and February 29, 2016, Djerassi contributed $20,230 and $19,581, respectively, to the plan.

13. 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.

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.

14. 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, 2017 and February 29, 2016:

Restricted by:	2017	2016
Alliance of Artist Communities	**$ 5,000**	$ 10,000
National Endowment for the Arts	**15,000**	-
Contributions pledged for fiscal future years	**39,409**	25,000
Ford Family Foundation	**36,000**	23,000
Hewlett Foundation	**257,470**	50,000
Kenneth Rainin Foundation	**25,000**	50,000
Rasmuson Foundation	**15,000**	15,000
Ucross Foundation	**-**	3,000
Discount on long-term receivables	**(1,208)**	-
	$ 391,671	$ 176,000

Continued

Notes to Financial Statements

14. Restricted Net Assets *(continued)*

During the year ended February 28, 2017, Djerassi received restricted contributions of $425,909 and released $209,030 of previously restricted donations. During the year ended February 29, 2016, Djerassi received restricted contributions of $186,900 and released $141,400 of previously restricted donations.

Permanently Restricted: Permanently restricted net assets consist of the following at February 28, 2017 and February 29, 2016:

	2017	2016
Restricted for endowment	**$ 357,687**	$ 357,437

During the years ended February 28, 2017 and February 29, 2016, Djerassi received restricted contributions of $250 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.

15. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Djerassi has evaluated subsequent events through June 26, 2017, 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.