DJERASSI RESIDENT ARTISTS PROGRAM

Financial Statements

With Independent Auditors' Report Thereon

Years Ended

February 28, 2019 and 2018

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

DJERASSI RESIDENT ARTISTS PROGRAM

(A California Non-Profit Corporation)
February 28, 2019 and 2018

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

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

R&A CPA
Regalia & Associates
OFFICE: 925.314.0390
WEB: WWW.MRCPA.COM

CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526
DOUGLAS REGALIA, CPA
LISA PARKER, CPA [inactive]
JEANNINE REGALIA, CPA
LISA CLOVEN, CPA
JENNY SO, CPA
JENNIFER JENSEN
ANITA EVANS
DANA CHAVARRIA, CPA
TRICIA WILSON
VALERIE REGALIA, CPA
WENDY THOMAS, CPA
SUSAN REGALIA, CPA
RACHEL BERGER, CPA
ROELEEN JOOSTE, CPA

INDEPENDENT AUDITORS' REPORT

The Board of Directors
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, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 the Djerassi Resident Artists Program as of February 28, 2018 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
We have previously audited the Djerassi Resident Artists Program's February 28, 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

July 8, 2019
Danville, California

Statements of Financial Position
February 28, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	$ 52,162	$ 389,711
Restricted cash	582,473	130,106
Investments	1,602,100	2,596,888
Accounts, grants and contributions receivable	150,434	159,338
Prepaid expenses and other assets	60,844	25,976
Total current assets	2,448,013	3,302,019
Noncurrent assets:		
Grants and contributions receivable, net	389,574	76,284
Investments	1,320,307	711,398
Property and equipment, net	3,353,879	3,176,196
Artwork	66,518	66,518
Rebranding	123,835	120,335
Note receivable	10,438	15,101
Total noncurrent assets	5,264,551	4,165,832
	$ 7,712,564	$ 7,467,851

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities:		
Accounts payable and accrued liabilities	$ 410,536	$ 18,986
Accrued payroll and related benefits	33,483	35,792
Deferred revenue	40,450	24,680
Fiscal sponsorships payable	534,190	87,034
Total current liabilities	1,018,659	166,492
Net assets:		
Without donor restrictions	5,066,057	6,063,995
With donor restrictions:		
Time and purpose restricted	307,541	353,372
Perpetual in nature	1,320,307	883,992
Total net assets	6,693,905	7,301,359
	$ 7,712,564	$ 7,467,851

Statement of Activities and Changes in Net Assets
For the Year Ended February 28, 2019
(with Summarized Financial Information for the Year Ended February 28, 2018)

Changes in net assets:	Donations without restrictions	Donations with Restrictions: Time and Purpose Restricted	Donations with Restrictions: Perpetual in Nature	2019 Total	2018 Total
Revenue and support:					
Earned revenue:					
Program services and fees	$ 127,540	$ -	$ -	$ 127,540	$ 145,553
Tour income	12,776	-	-	12,776	12,869
Other earned income	19,974	-	-	19,974	5,659
Investment income, net	12,434	2,122	5,308	19,864	15,230
Realized gains on sale of investments	108,000	18,429	46,101	172,530	159,105
Unrealized investment gains (losses)	(104,568)	(17,843)	(44,636)	(167,047)	294,607
Total earned revenue	176,156	2,708	6,773	185,637	633,023
Contributed support:					
Donations and contributions	210,232	216,650	361,315	788,197	1,224,076
In-kind contributions	53,253	-	-	53,253	28,532
Fundraising and events	133,180	-	-	133,180	136,434
Change in discount on long-term receivables	-	(14,210)	-	(14,210)	(508)
Net assets released from restrictions	180,044	(173,271)	(6,773)	-	-
Reclassification of net assets	2,708	(77,708)	75,000	-	-
Total contributed support	579,417	(48,539)	429,542	960,420	1,388,534
Total revenue and support	755,573	(45,831)	436,315	1,146,057	2,021,557
Expenses:					
Programs	1,067,672	-	-	1,067,672	901,419
Management and general	195,933	-	-	195,933	199,130
Fundraising	489,906	-	-	489,906	357,082
Total expenses	1,753,511	-	-	1,753,511	1,457,631
Increase (decrease) in net assets	(997,938)	(45,831)	436,315	(607,454)	563,926
Net assets at beginning of year	6,063,995	353,372	883,992	7,301,359	6,737,433
Net assets at end of year	$5,066,057	$ 307,541	$ 1,320,307	$ 6,693,905	$ 7,301,359

Statements of Cash Flows
For the Years Ended February 28, 2019 and 2018

	2019	2018
Operating activities:		
Increase (decrease) in net assets	$ (607,454)	$ 563,926
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	170,088	133,504
Change in discount on long-term receivables	(14,210)	(508)
Unrealized investment gains	167,047	(294,607)
Changes in:		
Accounts, grants and contributions receivable	(290,176)	31,115
Prepaid expenses and other current assets	(34,868)	(5,926)
Rebranding	(3,500)	(100,834)
Note receivable	4,663	(15,101)
Accounts payable and accrued liabilities	391,550	(45,636)
Accrued payroll and related benefits	(2,309)	5,536
Deferred revenue	15,770	3,074
Fiscal sponsorships payable	447,156	87,034
Cash provided by operating activities	243,757	361,577
Investing activities:		
Disposition of investments	1,336,067	1,562,831
Acquisition of investments	(1,117,235)	(1,313,482)
Acquisition of property and equipment	(347,771)	(171,070)
Transfers involving restricted cash	(452,367)	(130,106)
Cash used for investing activities	(581,306)	(51,827)
Net increase (decrease) in cash and cash equivalents	(337,549)	309,750
Cash and cash equivalents at beginning of year	389,711	79,961
Cash and cash equivalents at end of year	$ 52,162	$ 389,711
Additional cash flow information:		
Interest paid	$ -	$ -
State registration tax fees	$ 150	$ 150

Statement of Functional Expenses
For the Year Ended February 28, 2019

(with Summarized Financial Information for the Year Ended February 28, 2018)

	Total Programs	Management and General	Fund-raising	2019 Total	2018 Total
Salaries	$ 353,132	$ 84,829	$ 218,392	**$ 656,353**	$ 561,239
Payroll taxes	24,963	5,997	15,438	**46,398**	40,985
Benefits	45,670	10,971	28,244	**84,885**	91,345
Total salaries, taxes, and benefits	423,765	101,797	262,074	**787,636**	693,569
Artists Stipends	55,536	-	3,200	**58,736**	41,670
Bank charges/investment fees	13	96	6,958	**7,067**	4,064
Bad debt expense	-	278	3,000	**3,278**	-
Depreciation	144,416	23,338	2,334	**170,088**	133,504
Events and hospitality	3,852	885	97,783	**102,520**	69,445
In kind rent	27,000	-	-	**27,000**	27,000
Insurance	57,286	5,116	512	**62,914**	59,691
Legal and professional	-	12,195	-	**12,195**	10,578
Miscellaneous	5,140	6,422	7,249	**18,811**	10,951
Office and supplies	10,543	8,519	9,169	**28,231**	30,429
Outside services	84,776	14,961	57,881	**157,618**	125,887
Postage	1,837	1,479	1,009	**4,325**	6,103
Printing	7,821	2,911	8,192	**18,924**	10,813
Property and other taxes	1,490	241	24	**1,755**	1,967
Repairs and maintenance	101,573	541	5,265	**107,379**	90,130
Telephone	12,364	4,243	100	**16,707**	17,682
Travel and meals	116,387	5,608	25,156	**147,151**	101,365
Utilities	13,873	7,303	-	**21,176**	22,783
	$ 1,067,672	**$ 195,933**	**$ 489,906**	**$ 1,753,511**	$ 1,457,631

Notes to Financial Statements
February 28, 2019 and 2018

1. Organization

Djerassi Resident Artists Program (“Djerassi“) was incorporated in 1983 as a California tax-exempt, non-profit organization. It was recognized by the IRS as a 501(c)(3), non-profit in 1999. 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. The Program 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 and media artists. Djerassi alumni act as workshop leaders and select students via an application process. Retreat gatherings have included groups of playwrights, scientists, writers, choreographers, visual artists, and music composers. Sculpture tours are tailored to highlight the environmental/preservation component of our mission and serve approximately 1,000 local residents, students, and visitors.

2. Summary of Significant Accounting Policies

Basis of presentation – The financial statements of Djerassi have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Djerassi’s ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents – Djerassi’s cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of credit risk – Financial instruments that potentially subject Djerassi to concentrations of credit risk consist principally of cash and cash equivalents and deposits. Djerassi maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Djerassi manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

(continued)

Notes to Financial Statements

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

Concentrations of credit risk *(continued)*
To date, Djerassi has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Djerassi's mission.

Receivables and Credit Policies - Djerassi determined that no allowance for doubtful uncollectible accounts receivable is needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

Accounts and Contributions Receivable - Djerassi records contributions receivable that are expected to be collected within one year at net realizable value. When material, contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

In subsequent years, amortization of the discounts (when applicable) will be included in contribution revenue in the statement of activities. The allowance for uncollectible receivables is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible.

Property and Equipment - Djerassi's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. Djerassi reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Djerassi has determined that no long-lived assets were impaired as of February 28, 2019.

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

(continued)

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

Fair value measurements *(continued)*

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Djerassi groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1
Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2
Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3
Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions
Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but it has opted not to do so as of February 28, 2019.

(continued)

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

Net Assets *(continued)*

Net Assets With Donor Restrictions
Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Revenue and Revenue Recognition - Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Donated Services and In-Kind Contributions - Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the years ended February 28, 2019 and 2018, Djerassi recognized $53,253 and $28,532, respectively, of in-kind contributions. Included in these totals are $27,000 in in-kind rent for office space in San Francisco for the years ended February 28, 2019 and 2018. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and statement of functional expenses. *(continued)*

Notes to Financial Statements

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

Donated Services and In-Kind Contributions *(continued)*
Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, payroll taxes, and benefits) have been allocated based on time and effort using Djerassi's payroll allocations. Some expenses (depreciation, insurance, and property taxes) have been allocated based on square footage. Other expenses (events and hospitality, professional fees, office and supplies, outside services, postage, printing, repairs and maintenance, and utilities) have been allocated in accordance with the specific services received from vendors.

Reclassifications - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. During the year ended February 29, 2019, Djerassi determined certain amounts previously classified as net assets with donor restrictions should have been reported in different net asset categories. The statement of activities and changes in net assets reflects this reclassification.

Income Taxes - Djerassi is organized as California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Djerassi has not been required to file an Exempt Organization Business Income Tax Return (Form 990-T) because it historically has not had any unrelated business taxable income.

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. The exemptions are 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.

Recent and Relevant Accounting Pronouncements – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Djerassi has adjusted the presentation of these statements accordingly. *(continued)*

Notes to Financial Statements

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

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of July 8, 2019 (the date of the Independent Auditors' Report), Djerassi management has made this evaluation and has determined that Djerassi has the ability to continue as a going concern.

3. Cash, Cash Equivalents, and Restricted Cash

Unrestricted Cash: Cash and cash equivalents of $52,162 and $389,711 at February 28, 2019 and 2018, respectively, consist of noninterest-bearing 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. Restricted Cash: Restricted cash balances of $582,473 and $130,106 at February 28, 2019 and 2018, respectively, represent funds received and administered for restricted and fiscally sponsored activities and are not available for the general operating activities of Djerassi.

4. Investments and Endowment

Investments consist of the following at February 28:

	2019	2018
Money market accounts	**$ 44,704**	$ 87,735
Mutual funds principally invested in bonds	**753,115**	750,251
Mutual funds principally invested in equities	**2,084,084**	2,415,275
Other (REIT, Emerging Markets, Foreign Funds)	**40,504**	55,025
Total investments	**$ 2,922,407**	$ 3,308,286

Allocation of investment composition by type of fund is summarized as follows as of February 28, 2019:

	Donations Without Restrictions	Donations With Restrictions: Time and Purpose Restricted	Donations With Restrictions: Perpetual in Nature	Total
Money market accounts	$ 44,704	$ -	$ -	**$ 44,704**
Mutual funds principally invested in bonds	321,014	81,635	350,466	**753,115**
Mutual funds principally invested in equities	888,337	225,906	969,841	**2,084,084**
Other (REIT, Emerging Markets, Foreign Funds)	40,504	-	-	**40,504**
Total investments	**$ 1,294,559**	**$ 307,541**	**$ 1,320,307**	**$ 2,922,407**

(continued)

Notes to Financial Statements

4. Investments and Endowment *(continued)*

Allocation of investment composition by type of fund is summarized as follows as of February 28, 2018:

	Donations Without Restrictions	Donations With Restrictions: Time and Purpose Restricted	Donations With Restrictions: Perpetual in Nature	Total
Money market accounts	$ 87,735	$ -	$ -	**$ 87,735**
Mutual funds principally invested in bonds	-	342,822	407,429	**750,251**
Mutual funds principally invested in equities	1,928,162	10,550	476,563	**2,415,275**
Other (REIT, Emerging Markets, Foreign Funds)	55,025	-	-	**55,025**
Total investments	**$ 2,070,922**	**$ 353,372**	**$ 883,992**	**$ 3,308,286**

Changes in endowment net assets for the year ended February 28, 2019 and net asset composition by type of fund at February 28, 2019 is summarized as follows:

	Donations Without Restrictions	Donations With Restrictions: Time and Purpose Restricted	Donations With Restrictions: Perpetual in Nature	Total
Total investments at beginning of year	$ 2,070,922	$ 353,372	$ 883,992	$ 3,308,286
Investment return:				
Investment income	34,491	5,885	14,723	55,099
Management fees	(22,056)	(3,764)	(9,415)	(35,235)
Net realized gains	108,000	18,429	46,101	172,530
Net unrealized losses	(104,568)	(17,843)	(44,636)	(167,047)
Total investment return	15,867	2,707	6,773	25,347
Contributions	-	216,650	361,315	577,965
Discount for present value of long-term receivables	-	(14,210)	-	(14,210)
Appropriation of endowment assets	(448,500)	-	-	(448,500)
Transfers of assets	(343,730)	(250,978)	68,227	(526,481)
Total investments at end of year	$ 1,294,559	$ 307,541	$ 1,320,307	$ 2,922,407
Endowment net assets by type of fund:				
Donations with restrictions	-	-	1,320,307	1,320,307
Non-endowment net assets:				
Donations without restrictions	1,294,559	307,541	-	1,602,100
Total investments-end of year	**$ 1,294,599**	**$ 307,541**	**$ 1,320,307**	**$ 2,922,407**

(continued)

Notes to Financial Statements

4. Investments and Endowment *(continued)*

Changes in endowment net assets for the year ended February 28, 2018 and net asset composition by type of fund at February 28, 2018 is summarized as follows:

		Donations With Restrictions		
	Donations Without Restrictions	Time and Purpose Restricted	Perpetual in Nature	Total
Total investments at beginning of year	$ 2,513,670	$ 391,671	$ 357,687	$ 3,263,028
Investment return:				
Investment income	39,665	6,181	5,644	51,490
Net realized gains	122,566	19,098	17,441	159,105
Net unrealized gains	226,950	35,363	32,294	294,607
Total investment return	389,181	60,642	55,379	505,202
Contributions	-	284,188	526,305	810,493
Discount for present value of long-term receivables	-	(508)	-	(508)
Appropriation of endowment assets	321,979	(321,979)	-	-
Transfers of assets	(1,153,908)	(60,642)	(55,379)	(1,269,929)
Total investments-end of year	$ 2,070,922	$ 353,372	$ 883,992	$ 3,308,286
Endowment net assets by type of fund:				
Donor-restricted funds	-	-	883,992	883,992
Non-endowment net assets:				
Undesignated	2,070,922	353,372	-	2,424,294
Total investments at end of year	**$ 2,070,922**	**$ 353,372**	**$ 883,992**	**$ 3,308,286**

During the years ended February 28, 2019 and 2018, earnings on investments were reinvested.

Net unrealized gains (losses) amounted to ($167,047) and $294,607 for the years ended February 28, 2019 and 2018, respectively.

Net realized gains amounted to $172,530 and $159,105 for the years ended February 28, 2019 and 2018, respectively. Interest, dividends, and realized gains are reflected as components of investment return on the statement of activities and changes in net assets.

(continued)

4. Investments and Endowment *(continued)*

Djerassi has a Finance 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 donations without restrictions at February 28, 2019. 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, 2019 and 2018, future deficiencies of this nature (if applicable) would be reported in donations without restrictions.

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 Finance 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.

(continued)

Notes to Financial Statements

4. Investments and Endowment

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 Contributions Receivable

Accounts, grants and contributions receivable of $540,008 and $235,622 (short and long-term combined) at February 28, 2019 and 2018, respectively, represent amounts principally due from individuals, foundations, corporations, and other organizations. Accounts, grants and contributions receivable are expected to be collected as follows at February 28:

	2019	2018
Year ending February 28, 2019	**$ -**	$ 159,338
Year ending February 28, 2020	**150,434**	78,000
Year ending February 28, 2021	**405,500**	-
Total contributions receivable	**555,934**	237,338
Less: discount for multi-year contributions receivable	**(15,926)**	(1,716)
Less: grants and contributions receivable due within one year (current)	**(150,434)**	(159,338)
Grants and contributions receivable due after one year (noncurrent)	**$ 389,574**	$ 76,284

Grants and contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.54% 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 contributions receivable. The change in discount for multi-year receivables amounted to $14,210 and $508 for the years ended February 28, 2019 and 2018, respectively.

Djerassi uses the direct write-off method with regards to receivables deemed uncollectible. Amounts written off as bad debt expense amounted to $3,278 and zero during the years ended February 28 2019 and 2018, respectively. Management has evaluated the receivables as of February 28, 2019 and determined that such amounts are fully collectible based on an assessment of the financial strength of the donors.

6. Liquidity

Djerassi regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Djerassi has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and other sources (including the future collection of receivables).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Djerassi considers all expenditures related to its ongoing activities of providing support and enhancing the creativity of artists to support those activities to be general expenditures.

The following table shows the total financial assets held by Djerassi and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	$ 52,162
Investments - current	1,602,100
Accounts, grants, and contributions receivable - current	160,434
Less: amounts not available to be used within one year:	
Net assets with donor restrictions for programs	(157,317)
Financial assets available to meet general expenditures over the next twelve months	$ 1,657,379

Djerassi receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Djerassi must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of Djerassi liquidity management, the organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

7. Fair Value Measurements

Composition of assets utilizing fair value measurements at February 28, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Money market accounts	$ 44,704	$ 44,704	$ -	$ -
Mutual funds principally invested in bonds	753,115	753,115	-	-
Mutual funds principally invested in equity securities	2,084,084	2,084,084	-	-
Other (REIT, Emerging Markets, Foreign Funds)	40,504	40,504	-	-
Accounts, grants and contributions receivable	540,008	-	540,008	-
Totals	$ 3,462,415	$ 2,922,407	$ 540,008	$ -

(continued)

7. Fair Value Measurements *(continued)*

Composition of assets utilizing fair value measurements at February 28, 2018 is as follows:

	Totals	Level 1	Level 2	Level 3
Money market accounts	$ 87,735	$ 87,735	$ -	$ -
Mutual funds principally invested in bonds	750,251	750,251	-	-
Mutual funds principally invested in equity securities	2,415,275	2,415,275	-	-
Other (REIT, Emerging Markets, Foreign Funds)	55,025	29,136	-	25,889
Accounts, grants and contributions receivable	235,622	-	235,622	-
Totals	$ 3,543,908	$ 3,282,397	$ 235,622	$ 25,889

Assets Classified as Level 3
The significant unobservable inputs used in the fair value measurement of other investments are amounts estimated and prepared by an independent broker. There were no Level 3 assets as of February 28, 2019 and 2018.

8. Property and Equipment

Property and equipment consist of the following at February 28:

	2019	2018
Land and land improvements [a]	**$ 1,758,250**	$ 1,748,200
Barn, ranch, buildings, and improvements	**2,324,528**	2,094,175
Middlebrook Studios	**1,090,693**	1,090,693
Machinery and equipment	**290,978**	240,463
Furniture and fixtures	**119,746**	62,893
Less: accumulated depreciation and amortization	**(2,230,316)**	(2,060,228)
Property and equipment, net	**$ 3,353,879**	$ 3,176,196

Depreciation expense amounted to $170,088 and $133,504 for the years ended February 28, 2019 and 2018, respectively. There were no disposals during the year ended February 28, 2019. During the year ended February 28, 2018, Djerassi disposed of fully depreciated property and equipment with original cost basis of $18,758.

[a] In 1999, Djerassi concluded a $2.2 million agreement with Peninsula Open Space Trust (POST) to sell a conservation easement on the entirety of its land to POST. Title to the property is retained by Djerassi. Djerassi retains its water rights and may undertake traditional agricultural uses of the land. Djerassi relinquished its timber and mineral rights with the provision that these resources will never be developed. Funds from the sale reimbursed expenses incurred by Djerassi related to the sale and created a land and buildings fund to support Djerassi's capital and land management needs.

9. Lease and Other Commitments

Djerassi is obligated under several multi-year operating leases for certain office equipment with expiration dates ranging from August 2022 through October 2023. Such leases require monthly rental payments ranging from $78 and $144 as of February 28, 2019 (and which continue through the end of the lease terms). At February 28, 2019, minimum future lease payments for all operating with terms of one year or more are as follows: $3,905 for the year ending February 29, 2020; $3,905 for the year ending February 28, 2021; $3,905 for the year ending February 28, 2022; and $2,480 for the year ending February 28, 2023. Equipment rental expense for the years ended February 28, 2019 and 2018 amounted to $4,283 and $3,817, respectively.

In January 2017, Djerassi entered into a three-year contract for capital campaign and development work. The future payments due under this obligation amounted to $40,500 as of February 28, 2019 and payment are expensed when they are tendered.

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, 2019 and 2018, Djerassi reflected $33,483 and $35,792, respectively, in accrued payroll and related benefits.

11. Related Party Transactions

Dale and Alexander Djerassi (father and son) both serve on the board of directors. There is a note receivable from a board member in the amount of $10,438 and $15,101 at February 28, 2019 and 2018, respectively.

In connection with the occupation of its facilities in Woodside, California, four employees who manage the property and day-to-day residency operations are provided with room and board. Djerassi has an ongoing commitment to provide its Executive Director and other staff with the gratis use of part of a building as a personal residence. Djerassi (as the employer) requires its executive director to live on-site to maintain a physical presence at the facility in order to oversee the art programs and workshops in addition to promoting community relations. Djerassi has relied on Internal Revenue Code Section 119 and Revenue Ruling 75-540 which covers the tax ramifications regarding the value of lodging furnished by an employer for the convenience of the employer.

Notes to Financial Statements

12. Fiscal Sponsorships

Djerassi acts as the fiscal sponsor for certain outside groups and provides fiscal sponsorship and development services in a pass-thru capacity. Fiscal sponsorships payable amounted to $534,190 and $87,034 at February 28, 2019 and 2018, respectively. Additionally, cash received and unspent for fiscally sponsored activities amounted to $582,473 and $130,106 at February 28, 2019 and 2018, respectively.

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. Retirement Plan

Djerassi maintains a salary deferral plan for eligible employees which 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, 2019 and 2018, Djerassi contributed $23,978 and $19,962, respectively, to the plan.

15. Advertising Expense

Advertising costs are expensed as incurred. Advertising expense amounted to $9,123 and $2,962 for the years ended February 28, 2019 and 2018, respectively, and is included with miscellaneous expense on the statement of functional expenses.

Notes to Financial Statements

16. Net Assets

Net assets without donor restrictions of $5,066,057 and $6,063,995 at February 28, 2019 and 2018, respectively, represent the net cumulative retained surpluses since the organization's inception.

Net Assets With Donor Restrictions
Djerassi recognizes support from donations with restrictions when the restrictions imposed by the donors have been satisfied or expired. Donations with restrictions consist of the following at February 28:

	2019	2018
Restricted by Purpose:		
Alliance of Artist Communities	$ -	$ 10,000
California Arts Council	-	500
California Fire	5,817	5,817
The Ford Family Foundation	24,000	48,000
Haas Foundation	35,000	-
Hewlett Foundation	55,000	110,000
National Endowment for the Arts	35,000	-
San Mateo County Arts Commission	2,500	4,000
Restricted by Time:		
Contributions pledged for future fiscal years	166,150	176,771
Unamortized discount on long-term receivables	(15,926)	(1,716)
	$ 307,541	$ 353,372

During the year ended February 28, 2019, Djerassi received time and purpose restricted contributions totaling $216,650 and released $173,271 of previously restricted donations. During the year ended February 28, 2018, Djerassi received time and purpose restricted contributions of $284,188 and released $382,621 of previously restricted donations.

Net Assets With Donor Restrictions – Perpetual in Nature
Donations with Restrictions –Perpetual in Nature amounted to $1,320,307 and $883,992 at February 28, 2019 and 2018, respectively. During the years ended February 28, 2019 and 2018, Djerassi received donations with restrictions which were perpetual in nature totaling $361,315 and $526,305, respectively. All of the endowment funds, classified as donations with restrictions, 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 donations without restrictions.

17. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Djerassi has evaluated subsequent events through July 8, 2019, 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.