Djerassi Resident Artists Program

Financial Statements

For the year ended
February 29, 2020
With Independent Auditors' Report Thereon

(A California Not-for-Profit Corporation)

Contents

Djerassi Resident Artists Program
2325 Bear Gulch Road West, Woodside, CA 94062-4405
Office (650) 747-1250; Fax 650-747-0105
Web Site Address: www.djerassi.org
Email: info@djerassi.org

R&A CPA Regalia& Associates
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
WEB: WWW.MRCPA.COM
DANA CHAVARRIA, CPA
TRICIA WILSON
VALERIE REGALIA, CPA
WENDY THOMAS, CPA
SUSAN REGALIA, CPA
RACHEL BERGER, CPA
OFFICE: 925.314.0390

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Djerassi Resident Artists Program

We have audited the accompanying financial statements of Djerassi Resident Artists Program (a California nonprofit organization) which comprise the statement of financial position as of February 29, 2020 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 Djerassi Resident Artists Program as of February 29, 2020, 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 Djerassi Resident Artists Program's February 28, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

Danville, California
August 22, 2020

Statements of Financial Position
February 29, 2020 and February 28, 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	$ 239,463	$ 348,848
Investments	1,111,339	1,602,100
Accounts, grants and contributions receivable	224,387	150,434
Prepaid expenses and other assets	50,103	60,844
Total current assets	1,625,292	2,162,226
Noncurrent assets:		
Grants and contributions receivable, net	327,523	389,574
Investments	1,545,853	1,320,307
Property and equipment, net	3,329,882	3,353,879
Artwork	66,518	66,518
Rebranding, net	105,022	123,835
Note receivable	-	10,438
Total noncurrent assets	5,374,798	5,264,551
	$ 7,000,090	$ 7,426,777

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Accounts payable and accrued liabilities	$ 19,016	$ 124,749
Accrued payroll and related benefits	32,973	33,483
Refundable advances	5,000	-
Deferred revenue	26,436	40,450
Fiscal sponsorships payable	489,262	534,190
Total current liabilities	572,687	732,872
Net assets:		
Without donor restrictions	4,490,132	5,066,057
With donor restrictions:		
Time and purpose	391,418	307,541
Perpetual in nature	1,545,853	1,320,307
Total net assets	6,427,403	6,693,905
	$ 7,000,090	$ 7,426,777

Statement of Activities and Changes in Net Assets
For the Year Ended February 29, 2020
(with Summarized Financial Information for the Year Ended February 28, 2019)

	2020				
Changes in net assets:	*Without* Donor Restrictions	*With Donor* Restrictions - Time/purpose	*With Donor* Restrictions - Perpetual	Total 2020	Total 2019
Revenue and support:					
Earned revenue:					
Program services and fees	$ 139,774	$ -	$ -	$ 139,774	$ 127,540
Tour income	16,999	-	-	16,999	12,776
Other earned income	8,877	-	-	8,877	19,974
Investment income, net	8,823	2,096	8,999	19,918	19,864
Realized gains on sale of investments	71,171	16,908	72,587	160,666	172,530
Unrealized investment gains (losses)	15,030	3,571	15,329	33,930	(167,047)
Total earned revenue	260,674	22,575	96,915	380,164	185,637
Contributed support:					
Donations and contributions	331,976	311,895	225,546	869,417	788,197
In-kind contributions	27,415	-	-	27,415	53,253
Fundraising and events	157,462	-	-	157,462	133,180
Change in discount on long-term receivables	-	949	-	949	(14,210)
Net assets released from restrictions	325,882	(228,967)	(96,915)	-	-
Conditional grant adjustment	(5,817)	-	-	(5,817)	-
Reclassification of net assets	22,575	(22,575)	-	-	-
Total contributed support	859,493	61,302	128,631	1,049,426	960,420
Total revenue and support	1,120,167	83,877	225,546	1,429,590	1,146,057
Expenses:					
Programs	1,044,178	-	-	1,044,178	1,067,672
Management and general	269,037	-	-	269,037	195,933
Fundraising	382,877	-	-	382,877	489,906
Total expenses	1,696,092	-	-	1,696,092	1,753,511
Increase (decrease) in net assets	(575,925)	83,877	225,546	(266,502)	(607,454)
Net assets at beginning of year	5,066,057	307,541	1,320,307	6,693,905	7,301,359
Net assets at end of year	$ 4,490,132	$ 391,418	$ 1,545,853	$ 6,427,403	$ 6,693,905

Statements of Cash Flows
For the Years Ended February 29, 2020 and February 28, 2019

	2020	2019
Operating activities:		
Decrease in net assets	**$ (266,502)**	$ (607,454)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	**184,561**	170,088
Amortization	**42,431**	-
Change in discount on long-term receivables	**949**	(14,210)
Unrealized investment gains	**(33,930)**	167,047
Changes in:		
Accounts, grants and contributions receivable	**(12,851)**	(290,176)
Prepaid expenses and other current assets	**10,741**	(34,868)
Note receivable	**10,438**	4,663
Accounts payable and accrued liabilities	**(105,733)**	105,763
Accrued payroll and related benefits	**(510)**	(2,309)
Refundable advances	**5,000**	-
Deferred revenue	**(14,014)**	15,770
Fiscal sponsorship payable	**(44,928)**	447,156
Cash used for operating activities	**(224,348)**	(38,530)
Investing activities:		
Disposition of investments	**1,320,163**	1,336,067
Acquisition of investments	**(1,021,018)**	(1,117,235)
Acquisition of property and equipment	**(160,564)**	(347,771)
Acquisition of rebranding	**(23,618)**	(3,500)
Cash provided by (used for) investing activities	**114,963**	(132,439)
Net decrease in cash and cash equivalents	**(109,385)**	(170,969)
Cash and cash equivalents at beginning of year	**348,848**	519,817
Cash and cash equivalents at end of year	**$ 239,463**	$ 348,848
Additional cash flow information:		
Interest paid	**$ -**	$ -
State registration tax fees	**$ 150**	$ 150

Statement of Functional Expenses
For the Year Ended February 29, 2020
(with Summarized Financial Information for the Year Ended February 28, 2019)

	Total Programs	Management and General	Fund-raising	2020 Total	2019 Total
Salaries	$ 368,831	$ 79,992	$ 224,299	**$ 673,122**	$ 656,353
Payroll taxes	30,154	6,524	18,338	**55,016**	46,398
Benefits	43,386	17,716	21,997	**83,099**	84,885
Total salaries, taxes, and benefits	442,371	104,232	264,634	**811,237**	787,636
Amortization	36,027	5,822	582	**42,431**	-
Artists Stipends	46,585	-	2,988	**49,573**	58,736
Bank charges/investment fees	83	266	6,693	**7,042**	7,067
Bad debt expense	-	-	-	**-**	3,278
Depreciation	156,705	25,324	2,532	**184,561**	170,088
Events and hospitality	13,766	1,822	82,271	**97,859**	102,520
In kind rent	27,000	-	-	**27,000**	27,000
Insurance	-	59,060	-	**59,060**	62,914
Legal and professional	-	17,727	-	**17,727**	18,193
Miscellaneous	1,474	109	922	**2,505**	12,813
Office and supplies	14,583	12,846	7,312	**34,741**	28,231
Outside services	86,465	10,716	-	**97,181**	157,618
Postage	3,885	909	3,529	**8,323**	4,325
Printing	5,743	3,656	7,147	**16,546**	18,924
Property and other taxes	-	1,716	3	**1,719**	1,755
Repairs and maintenance	69,964	359	230	**70,553**	107,379
Telephone	10,122	7,370	-	**17,492**	16,707
Travel and meals	118,376	6,125	4,034	**128,535**	147,151
Utilities	11,029	10,978	-	**22,007**	21,176
	$ 1,044,178	**$ 269,037**	**$ 382,877**	**$ 1,696,092**	$ 1,753,511

Notes to Financial Statements
February 29, 2020

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 statement 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 – 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.

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.

To date, Djerassi has not experienced losses in any of these accounts. Credit risk associated with accounts, grants and contributions receivable is 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.

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

Accounts, Grants and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

It is the policy of the organization to periodically assess receivables to determine proper carrying value. The allowance for uncollectible receivables is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

Comparative Financial Information – The accompanying financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended February 28, 2019, from which the summarized information was derived.

Functional Allocation of 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.

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 29, 2020 and February 28, 2019, Djerassi recognized $27,415 and $53,253, respectively, of in-kind contributions. Included in these totals are $27,000 of in-kind rent for office space in San Francisco for the years ended February 29, 2020 and February 28, 2019. 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.

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.

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

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

Reclassifications – Certain prior year amounts have been reclassified to conform to fiscal year 2020 presentation. These changes had no impact on previously reported total changes in net assets.

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. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

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 during the years ended February 29, 2020 and February 28, 2019.

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. Transfers of funds with a conditional promise to contribute them are accounted for as refundable advances until the conditions 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.

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.

A portion of Djerassi's revenue is derived from cost-reimbursable state and local government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Djerassi has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Djerassi received cost-reimbursable grants of $45,817 that have not been recognized at February 29, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of $5,000 recognized in the statement of financial position as a refundable advance.

(continued)

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

Revenue and Revenue Recognition *(continued)*
Djerassi has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

In accordance with the ASU, the organization has determined a previously recorded promise to give in the amount of $5,817 was a conditional grant that should not have been reported in the statement of financial position as net assets with donor restrictions and accounts, grants and contributions receivable. Accordingly, an adjustment in the amount of $5,817 has been reflected on the statement of activities and changes in net assets for the year ended February 29, 2020.

Investments and Endowment – Investments are reported at fair value with gains and losses included in the statement of activities and changes in net assets. Djerassi follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that Djerassi could realize in a current market exchange.

The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of February 29, 2020 and February 28, 2019. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented, especially in light of the impact on financial markets as a result of COVID-19.

Djerassi's endowment consists of a diverse mixture of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by *ASC 958.320*, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Djerassi has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Djerassi classifies as net assets with donor restrictions – in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions – in perpetuity is classified as net assets with donor restrictions – time and purpose until those amounts are appropriated for expenditure by Djerassi in a manner consistent with the standard of prudence prescribed by UPMIFA.

(continued)

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

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 is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Djerassi is not required to file an Exempt Organization Business Income Tax Return (Form 990-T) because it had no unrelated business taxable income for the years ended February 29, 2020 and February 28, 2019.

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.

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 29, 2020 and February 28, 2019.

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.

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

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.

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.

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)

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

Recent and Relevant Accounting Pronouncements *(continued)*
In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. Djerassi is currently assessing the impact that adoption of this ASU will have on its financial statements.

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 August 22, 2020 (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 and Cash Equivalents

Cash and cash equivalents at February 29, 2020 and February 28, 2019 consist of noninterest-bearing deposits in local financial institutions. The composition of cash and cash equivalents is as follows at February 29, 2020 and February 28, 2019:

	2020	2019
Checking	**$ 182,443**	$ 322,727
RBC insured deposits (bearing interest at 0.05% as of February 29, 2020)	**57,020**	26,121
Cash and cash equivalents	**$ 239,463**	$ 348,848

4. Accounts, Grants and Contributions Receivable

Accounts, grants and contributions receivable of $551,910 and $540,008 (current and noncurrent combined) at February 29, 2020 and February 28, 2019, respectively, represent amounts principally due from individuals, foundations, corporations, and other organizations.

(continued)

4. Accounts, Grants and Contributions Receivable *(continued)*

Accounts, grants and contributions receivable are expected to be collected as follows at February 29, 2020 and February 28, 2019:

	2020	2019
Year ending February 29, 2020	**$ -**	$ 150,434
Year ending February 28, 2021	**224,387**	405,500
Year ending February 28, 2022	**161,500**	-
Year ending February 28, 2023	**91,000**	-
Year ending February 28, 2024	**90,000**	-
Total accounts, grants and contributions receivable	**566,887**	555,934
Less: discount for multi-year grants and contributions receivable	**(14,977)**	(15,926)
Less: grants and contributions receivable due within one year (current)	**(224,387)**	(150,434)
Grants and contributions receivable due after one year (noncurrent)	**$ 327,523**	$ 389,574

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 $949 and ($14,210) for the years ended February 29, 2020 and February 28, 2019, 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 during the year ended February 28 2019. There was no bad debt expense during the year ended February 29, 2020. Management has evaluated the receivables as of February 29, 2020 and determined that such amounts are fully collectible based on an assessment of the financial strength of the donors.

5. Investments and Endowment

Investments consist of the following at February 29, 2020 and February 28, 2019:

	2020	2019
Money market accounts	**$ 54,638**	$ 44,704
Mutual funds principally invested in bonds	**930,954**	753,115
Mutual funds principally invested in equities	**1,629,446**	2,084,084
Other (REIT, Emerging Markets, Foreign Funds)	**42,154**	40,504
Total investments	**$ 2,657,192**	$ 2,922,407

(continued)

5. Investments and Endowment *(continued)*

Allocation of investment composition by type of fund is summarized as follows as of February 29, 2020:

	Net Assets *Without* Donor Restrictions	Net Assets *With* Donor Restrictions: Time and Purpose	Net Assets *With* Donor Restrictions: Perpetual	Total
Money market accounts	$ 54,638	$ -	$ -	$ 54,638
Mutual funds principally invested in bonds	-	188,096	742,858	930,954
Mutual funds principally invested in equities	623,129	203,322	802,995	1,629,446
Other (REIT, Emerging Markets, Foreign Funds)	42,154	-	-	42,154
Total investments	**$ 719,921**	**$ 391,418**	**$1,545,853**	**$ 2,657,192**

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

	Net Assets *Without* Donor Restrictions	Net Assets *With* Donor Restrictions: Time and Purpose	Net Assets *With* Donor Restrictions: Perpetual	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
February 29, 2020

5. Investments and Endowment *(continued)*

Changes in endowment net assets for the year ended February 29, 2020 and net asset composition by type of fund at February 29, 2020 is summarized as follows:

		Net Assets *With* Donor Restrictions		
	Net Assets *Without* Donor Restrictions	Time and Purpose	Perpetual	Total
Total investments at beginning of year	$ 1,294,559	$ 307,541	$ 1,320,307	$ 2,922,407
Investment return:				
Investment income	25,119	5,967	25,619	56,705
Management fees	(16,296)	(3,871)	(16,620)	(36,787)
Net realized gains	71,171	16,908	72,587	160,666
Net unrealized gains	15,030	3,571	15,329	33,930
Total investment return	95,024	22,575	96,915	214,514
Contributions	-	311,895	225,546	537,441
Change in discount for present value of long-term receivables	-	949	-	949
Appropriation of endowment assets	(479,729)	-	-	(479,729)
Transfers of assets	(189,933)	(251,542)	(96,915)	(538,390)
Total investments at end of year	**$ 719,921**	**$ 391,418**	**$ 1,545,853**	**$ 2,657,192**
Endowment net assets by type of fund:				
Donations with restrictions	$ -	$ -	$ 1,545,853	$ 1,545,853
Non-endowment net assets:				
Donations without restrictions	719,921	-	-	719,921
Donations with restrictions	-	391,418	-	391,418
Total investments at end of year	**$ 719,921**	**$ 391,418**	**$ 1,545,853**	**$ 2,657,192**

(continued)

5. Investments and Endowment *(continued)*

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:

	Net Assets *Without* Donor Restrictions	Net Assets *With* Donor Restrictions: Time and Purpose	Net Assets *With* Donor Restrictions: Perpetual	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 gains	(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
Change in 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	-	-	1,294,559
Donations with restrictions	-	307,541	-	307,541
Total investments at end of year	**$ 1,294,559**	**$ 307,541**	**$ 1,320,307**	**$ 2,922,407**

During the years ended February 29, 2020 and February 28, 2019, earnings on investments were reinvested.

Net unrealized gains (losses) amounted to $33,930 and ($167,047) for the years ended February 29, 2020 and February 28, 2019, respectively.

Net realized gains amounted to $160,666 and $172,530 for the years ended February 29, 2020 and February 28, 2019, respectively. Interest, dividends, and realized gains are reflected as components of investment return on the statement of activities and changes in net assets.

(continued)

5. 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 the Uniform Prudent Management of Institutional Funds Act (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 net assets with donor restrictions – time and purpose at February 29, 2020. Such future deficiencies could result from unfavorable market fluctuations occurring after the investment of new restricted contributions and continued appropriation for certain programs which are deemed prudent by the Board of Directors.

Djerassi's investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of Djerassi's management. Although there were none at February 29, 2020 and February 28, 2019, future deficiencies of this nature (if applicable) would be reported in net assets with donor restrictions – time and purpose in accordance with ASU 2016-14.

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.

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.

(continued)

5. Investments and Endowment *(continued)*

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. 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 as well as the conduct of services undertaken 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:

	2020	2019
Cash and cash equivalents	**$ 239,463**	$ 348,848
Accounts, grants, and contributions receivable – current	**224,387**	150,434
Investments – current	**1,111,339**	1,602,100
Less: amounts not available to be used within one year:		
Fiscal sponsorships payable	**(489,262)**	(534,190)
Net assets with donor restrictions for programs	**(23,250)**	(157,317)
Financial assets available to meet general expenditures over the next twelve months	**$ 1,062,677**	$ 1,409,875

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's 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 29, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Money market accounts	**$ 54,638**	$ 54,638	$ -	$ -
Mutual funds principally invested in bonds	**930,954**	930,954	-	-
Mutual funds principally invested in equities	**1,629,446**	1,629,446	-	-
Other (REIT, Emerging Markets, Foreign Funds)	**42,154**	42,154	-	-
Accounts, grants and contributions receivable	**551,910**	-	551,910	
Totals	**$ 3,209,102**	$ 2,657,192	$ 551,910	$ -

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 equities	**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	$ -

Assets Classified as Level 3
There were no Level 3 assets as of February 29, 2020 and February 28, 2019.

8. Related Party Transactions

Dale and Alexander Djerassi (father and son) both serve on the board of directors. There was a note receivable from a board member in the amount of $10,438 at February 28, 2019. There were no notes receivable from board members at February 29, 2020.

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 case of emergency, as well as to oversee the art programs and workshops, and promote community relationships. The Djerassi Program houses up to 12 artists/4 week sessions, March-November, and approximately 6 artists/4 weeks, December – February of each year. Other staff who may include the resident manager(s), program assistant, the administrative assistant and deputy program director are also required to live on-site to provide direct oversight and assistance to artists-in-residence, and further ensure the safety and security of the artists and the facilities. 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.

9. Property and Equipment

Property and equipment consist of the following at February 29, 2020 and February 28, 2019:

	2020	2019
Land and land improvements [a]	**$ 1,789,727**	$ 1,758,250
Barn, buildings, and improvements	**2,397,839**	2,324,528
Middlebrook Studios	**1,090,693**	1,090,693
Machinery and equipment	**346,754**	290,978
Furniture and fixtures	**119,746**	119,746
Less: accumulated depreciation	**(2,414,877)**	(2,230,316)
Property and equipment, net	**$ 3,329,882**	$ 3,353,879

Depreciation expense amounted to $184,561 and $170,088 for the years ended February 29, 2020 and February 28, 2019, respectively.

[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.

10. Rebranding

During the year ended February 28, 2017, Djerassi began work on a rebranding effort consisting of a website re-design and promotional video. Both assets were placed in service during the year ended February 29, 2020. Components of the rebranding assets at February 29, 2020 and February 28, 2019 are as follows:

	2020	2019
Website re-design	**$ 123,835**	$ 123,835
Promotional video	**23,618**	-
Less: accumulated amortization	**(42,431)**	-
Rebranding	**$ 105,022**	$ 123,835

Amortization expense amounted to $42,431 for the year ended February 29, 2020. There was no amortization expense during the year ended February 28, 2019.

11. Refundable Advances

Refundable advances of $5,000 at February 29, 2020, represent funds received in advance under a conditional grant agreement. Such amounts have been reflected as a short-term liability on the statements of financial position. When the conditions have been satisfied, the advances will be transferred to contributed revenue on the statement of activities and changes in net assets.

12. 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 to $144 as of February 29, 2020 (and which continue through the end of the lease terms). At February 29, 2020, 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, 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 29, 2020 and February 28, 2019 amounted to $8,522 and $4,283, respectively.

In January 2017, Djerassi entered into a three-year contract for capital campaign and development work with a consultant. During the year ended February 29, 2020, this contract was extended through February 28, 2021. The future payments due under this obligation amounted to $20,000 as of February 29, 2020 and payments are expensed when they are tendered.

13. 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 statement of financial position based on hourly rates in effect at the end of the fiscal year. At February 29, 2020 and February 28, 2019, Djerassi reflected $32,973 and $33,483, respectively, in accrued payroll and related benefits.

14. 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 $489,262 and $534,190 at February 29, 2020 and February 28, 2019, respectively.

15. 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 29, 2020 and February 28, 2019, Djerassi contributed $22,758 and $23,978, respectively, to the plan.

16. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future projects, 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 and general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies involved.

17. Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions of $4,490,132 and $5,066,057 at February 29, 2020 and February 28, 2019, 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 29, 2020 and February 28, 2019:

	2020	2019
Restricted by Purpose:		
California Fire	**$ -**	$ 5,817
The Ford Family Foundation	**-**	24,000
Haas Foundation	**20,750**	35,000
Hewlett Foundation	**-**	55,000
National Endowment for the Arts	**-**	35,000
San Mateo County Arts Commission	**2,500**	2,500
Restricted by Time:		
Contributions pledged for future fiscal years	**383,145**	166,150
Unamortized discount on long-term receivables	**(14,977)**	(15,926)
	$ 391,418	$ 307,541

During the year ended February 29, 2020, Djerassi received time and purpose restricted contributions totaling $311,895 and released $228,967 of previously restricted donations. 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.

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17. Net Assets *(continued)*

Net Assets with Donor Restrictions – Perpetual
Donations with Restrictions – Perpetual in Nature amounted to $1,545,853 and $1,320,307 at February 29, 2020 and February 28, 2019, respectively. During the years ended February 29, 2020 and February 28, 2019, Djerassi received donations with restrictions which were perpetual in nature totaling $225,546 and $361,315, 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.

18. Operating Deficits and Going Concern

Operating Deficits
Djerassi has incurred recurring operating deficits and cash flow shortfalls during the last two fiscal years. Specifically, Djerassi reflected losses from operations of ($266,502) and ($607,454) for the years ended February 29, 2020 and February 28, 2019, respectively, and net assets without donor restrictions (equity) have decreased from $6,063,995 at February 28, 2018 to $4,490,132 at February 29, 2020 (of which depreciation and amortization expense accounted for $397,080 of the total decrease).

The organization's ability to continue as a going concern depends on its being able to satisfy ongoing cash flow requirements, which include fixed and various overhead expenses. The two largest components include payroll and travel and meals.

Revenue Concentration
Djerassi is subject to funding levels which vary based on factors beyond Djerassi's control, such as generosity of donors and general economic conditions. Funding from contributed income represented 73% and 84% of the organization's total revenue and support for the years ended February 29, 2020 and February 28, 2019, respectively.

Management's Plans
On March 10, 2020, Djerassi was forced to shut due to mandates by the California government pertaining to COVID-19. Public gatherings have not been allowed in California. As a result, all of the programs Djerassi offers have not been able to operate. Djerassi received $143,000 of funding from the PPP Loan, $50,000 from the NEA/Cares Grant, and raised an additional $82,000 from staff and donors. Additionally, Djerassi's Board of Directors and management made immediate adjustments to Djerassi's overhead costs, specifically payroll, to meet its cash flow needs, as well as guide the development of the budget for the year ending February 28, 2021. Management's actions resulted in cash flow reductions of $60,000 which will carry through the year ended February 28, 2021. Management's plans for preparation of the budget for the year ending February 28, 2021 included staff reduction of salary, staff cuts, and the procurement of COVID-19 financial support from the government, donors, and the Board of Directors.

Management believes these factors, among others, will contribute toward achieving and maintaining sufficient cash flows to cover operating expenditures and to satisfy its payroll and program-related obligations. The attainment of positive cash flows is dependent upon the successful implementation of management's cost reduction programs and revenue targets.

19. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Djerassi has evaluated subsequent events through August 22, 2020, the date the financial statements were available to be issued. Subsequent to February 29, 2020 (the end of Djerassi's fiscal year), an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The novel coronavirus threat (which became widespread during February and March 2020) has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (c) impacted private enterprises with which Djerassi conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. As detailed in Note 18, Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by Djerassi as a result of these events.

During May 2020, Djerassi applied for and received $143,000 in a forgivable loan under the Small Business Administration Paycheck Protection Program (“PPP”). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA’s 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities.

Djerassi expended the funds (and continues to utilize the proceeds) for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. Management fully anticipates that it will satisfy the PPP’s eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

Based on the guidance in *FASB ASC 405-20-40-1, Liabilities*, the proceeds from the loan would remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been “legally released” or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, Djerassi is instructed to reduce the liability by the amount forgiven and record the forgiven loan as income.

In the opinion of management, there are no other subsequent events which are required to be disclosed.