

PROPERTY AND ENVIRONMENT RESEARCH CENTER

AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018



**PROPERTY AND ENVIRONMENT RESEARCH CENTER
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Property and Environment Research Center
Bozeman, MT

We have audited the accompanying financial statements of Property and Environment Research Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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 Organization'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 Organization'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 Property and Environment Research Center, as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Amatics CPA Group
Bozeman, Montana
March 9, 2020



**PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	December 31	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,116,331	\$ 1,187,692
Grants and other receivables	620	3,507
Unconditional promises to give - current portion	725,000	725,000
Investments - certificates of deposit	1,577,262	1,235,262
Total current assets	3,419,213	3,151,461
PROPERTY AND EQUIPMENT , net of accumulated depreciation	1,375,843	1,431,944
OTHER ASSETS		
Unconditional promises to give, net of current portion	450,000	400,000
Endowment investments - certificates of deposit	114,738	114,738
Total other assets	564,738	514,738
Total assets	\$ 5,359,794	\$ 5,098,143

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 20,191	\$ 35,855
Accrued payroll liabilities	65,185	41,354
Total current liabilities	85,376	77,209
NET ASSETS		
Without donor restrictions		
Undesignated	3,027,061	3,103,340
Board designated	36,000	24,000
Total net assets without donor restrictions	3,063,061	3,127,340
With donor restrictions		
Purpose restricted	1,996,619	1,578,856
Time restricted	100,000	200,000
Endowment	114,738	114,738
Total net assets with donor restrictions	2,211,357	1,893,594
Total net assets	5,274,418	5,020,934
Total liabilities and net assets	\$ 5,359,794	\$ 5,098,143

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF ACTIVITIES
Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Foundation and corporate support	\$ 1,103,698	\$ 1,376,105	\$ 2,479,803
Individual support	377,964	28,358	406,322
Rental income	21,090	-	21,090
In-kind support	3,312	-	3,312
Interest income	33,578	-	33,578
Reimbursements and miscellaneous	-	16,633	16,633
	<u>1,539,642</u>	<u>1,421,096</u>	<u>2,960,738</u>
Net assets released from restrictions	<u>1,103,333</u>	<u>(1,103,333)</u>	<u>-</u>
	<u>2,642,975</u>	<u>317,763</u>	<u>2,960,738</u>
EXPENSES			
Program services	1,716,036	-	1,716,036
General and administrative	662,235	-	662,235
Fundraising	328,983	-	328,983
	<u>2,707,254</u>	<u>-</u>	<u>2,707,254</u>
CHANGE IN NET ASSETS			
	(64,279)	317,763	253,484
Net assets at beginning of year	<u>3,127,340</u>	<u>1,893,594</u>	<u>5,020,934</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 3,063,061</u></u>	<u><u>\$ 2,211,357</u></u>	<u><u>\$ 5,274,418</u></u>

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF ACTIVITIES
Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Foundation and corporate support	\$ 651,524	\$ 1,331,937	\$ 1,983,461
Individual support	224,038	10,000	234,038
Rental income	22,200	-	22,200
In-kind support	2,260	-	2,260
Interest income	19,294	-	19,294
Reimbursements and miscellaneous	-	5,562	5,562
	<u>919,316</u>	<u>1,347,499</u>	<u>2,266,815</u>
Net assets released from restrictions	<u>1,651,612</u>	<u>(1,651,612)</u>	<u>-</u>
	<u>2,570,928</u>	<u>(304,113)</u>	<u>2,266,815</u>
EXPENSES			
Program services	1,632,070	-	1,632,070
General and administrative	560,926	-	560,926
Fundraising	238,297	-	238,297
	<u>2,431,293</u>	<u>-</u>	<u>2,431,293</u>
CHANGE IN NET ASSETS			
	139,635	(304,113)	(164,478)
Net assets at beginning of year	<u>2,987,705</u>	<u>2,197,707</u>	<u>5,185,412</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 3,127,340</u></u>	<u><u>\$ 1,893,594</u></u>	<u><u>\$ 5,020,934</u></u>

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 691,276	\$ 391,289	\$ 221,730	\$ 1,304,295
Honoraria	161,147	-	-	161,147
Research and fellowships	245,079	-	-	245,079
Payroll taxes	51,166	28,962	16,412	96,540
Benefits	<u>108,527</u>	<u>61,430</u>	<u>36,334</u>	<u>206,291</u>
Total personnel expenses	1,257,195	481,681	274,476	2,013,352
Accounting	-	12,267	-	12,267
Board	-	31,744	-	31,744
Conferences	87,447	-	-	87,447
Contracted services	552	8,939	13,359	22,850
Dues and subscriptions	11,547	16,640	-	28,187
Equipment	-	11,822	-	11,822
Insurance	-	13,279	-	13,279
Office	861	37,387	217	38,465
Outreach	40,714	-	-	40,714
Postage	3,990	4,021	5,335	13,346
Printing	34,752	-	11,697	46,449
Publications	96,520	-	-	96,520
Readings and supplies	26,095	7,144	-	33,239
Repairs and maintenance	-	21,269	-	21,269
Travel, meals, and lodging	88,269	-	23,899	112,168
Utilities	19,348	4,837	-	24,185
Website	<u>3,928</u>	<u>-</u>	<u>-</u>	<u>3,928</u>
Total expenses before depreciation	1,671,218	651,030	328,983	2,651,231
Depreciation	<u>44,818</u>	<u>11,205</u>	<u>-</u>	<u>56,023</u>
Total expenses	<u>\$ 1,716,036</u>	<u>\$ 662,235</u>	<u>\$ 328,983</u>	<u>\$ 2,707,254</u>

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 625,406	\$ 301,147	\$ 99,307	\$ 1,025,860
Honoraria	231,795	-	-	231,795
Research and fellowships	218,275	-	-	218,275
Payroll taxes	47,214	17,520	14,113	78,847
Benefits	<u>107,827</u>	<u>51,921</u>	<u>17,122</u>	<u>176,870</u>
Total personnel expenses	1,230,517	370,588	130,542	1,731,647
Accounting	-	11,078	-	11,078
Board	-	29,671	-	29,671
Conferences	116,047	-	-	116,047
Contracted services	-	5,799	44,205	50,004
Dues and subscriptions	11,315	18,324	-	29,639
Equipment	-	13,609	-	13,609
Insurance	-	15,971	-	15,971
Office	-	52,936	980	53,916
Outreach	36,753	-	-	36,753
Postage	-	4,900	4,612	9,512
Printing	19,408	-	11,509	30,917
Publications	57,355	-	-	57,355
Readings and supplies	25,182	7,807	-	32,989
Repairs and maintenance	-	14,167	-	14,167
Travel, meals, and lodging	50,709	-	46,449	97,158
Utilities	18,700	4,675	-	23,375
Website	<u>20,480</u>	<u>-</u>	<u>-</u>	<u>20,480</u>
Total expenses before depreciation	1,586,466	549,525	238,297	2,374,288
Depreciation	<u>45,604</u>	<u>11,401</u>	<u>-</u>	<u>57,005</u>
Total expenses	<u>\$ 1,632,070</u>	<u>\$ 560,926</u>	<u>\$ 238,297</u>	<u>\$ 2,431,293</u>

See notes to financial statements.

**PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENTS OF CASH FLOWS**

	Years ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from donors and grantors	\$ 2,839,012	\$ 2,427,288
Other cash receipts	71,379	47,056
Payments for salaries and related costs	(1,989,521)	(1,729,967)
Payments to vendors	(650,231)	(607,320)
Net cash provided by operating activities	270,639	137,057
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(21,631)
Purchases of certificates of deposit	(2,642,000)	(2,800,000)
Proceeds from maturities of certificates of deposit	2,300,000	2,650,000
Net cash used by investing activities	(342,000)	(171,631)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(71,361)	(34,574)
Cash and cash equivalents at beginning of year	1,187,692	1,222,266
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,116,331	\$ 1,187,692

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Property and Environment Research Center (the Organization) is a Montana nonprofit organization, established under the Internal Revenue Code Section 510(c)(3). The Organization is dedicated to improving environmental quality through property rights and markets by way of research, publications, conferences, and lectures. The Organization is supported primarily by contributions from foundations, businesses, and individuals.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to nonprofit organizations, as codified by the Financial Accounting Standards Board.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, 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 Board has designated, from net assets without donor restrictions, net assets for funding of future property improvements and building expenses.

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 are 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.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents reported on the statements of financial position and the statements of cash flows include cash on hand and amounts held by financial institutions in checking and savings accounts.

The Organization maintains its cash deposits at various financial institutions. During 2019 and 2018, the Organization's bank accounts were insured by the FDIC up to \$250,000 per bank. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. As of December 31, 2019 and 2018, the Organization's deposits exceeded the insured limits by \$18,249 and \$66,474, respectively.

Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Promises to give, which are scheduled to be received after one year, are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the cash is received and any purpose restrictions are met. These balances are stated at their present value. Management considers all pledges to be fully collectible; therefore, no allowance has been recorded.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt.

Grants Receivable

Grants receivable are recorded and revenue is recognized at the time the related service is performed or goods are delivered. Management considers all grants receivable to be fully collectable; therefore, no allowance for doubtful accounts is presented. No interest is charged on amounts past due. It is the Organization's policy to charge off uncollectible grants receivable when management determines the receivable will not be collected.

Statement of Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The following expenses are allocated on the basis of estimates of time and effort:

Personnel: Salaries and wages, benefits, payroll taxes, workers compensation
Fundraising and development: Meals, travel, transportation, events, professional fees
Administrative and operating: Contracted services, subscriptions/dues, accounting, office supplies, repairs and maintenance, utilities
Other administrative: Management fees, employee development, insurance/legal
Board authorized: Program charges, building reserve fund, capital equipment purchases
Conferences and programs: Program outreach, research and fellowships, honoraria

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organization capitalizes all acquisitions of property, equipment, and buildings in excess of \$5,000 with a useful life of at least one year. Capital assets are recorded at cost if purchased and donated property and equipment is recorded at fair value at the date of donation. Major renewals and betterments are capitalized. Ordinary maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is calculated using the straight-line method. The estimated useful lives of property and equipment are as follows:

Office equipment	3 to 7 years
Computers and printers	3 to 5 years
Furniture and fixtures	5 to 7 years
Buildings and improvements	15 to 39 years
Website	3 to 5 years

Income Taxes

Property and Environment Research Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore no provision for federal income taxes has been included in the accompanying financial statements. Property and Environment Research Center has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi). The Organization's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

In-Kind Support

The Organization records in-kind support that meets the criteria for revenue recognition under GAAP. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by corresponding amounts reflected in expenses or assets.

Fair Value

In accordance with GAAP, the framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

GAAP defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurements. Fair value is defined under GAAP as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under GAAP must maximize the use of observable inputs and minimize the use of unobservable inputs.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value (Continued)

GAAP describes a fair value hierarchy based on three levels of inputs of which the first two are considered observable and the last unobservable that may be used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Investments in brokered certificates of deposit are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As required by GAAP, investment assets are classified entirely based upon the lowest level of input that is significant to the fair value measurement.

Resources Available and Unavailable for General Expenditures

Property and Environment Research Center (PERC) has certain donor-restricted net assets that are available for general expenditures within a timeframe either set or not set by each donor individually, because the restrictions on the net assets are expected to be met by conducting the normal activities of our programs. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet the general expenditures within the time frame set by the individual donors. PERC has other assets limited to use for donor-restricted purposes and for contractually required debt service reserves, which are not included. Additionally, the board of directors, has designated certain other unrestricted investments for future capital expenditures, primarily for improvements to the building with which PERC resides and business is conducted. Because of the Board of Directors' designation of these funds, they are not available for general expenditures within the next year; however, the board of directors could make them available, if necessary.

**PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented, most significantly in the statement of functional expenses. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle - Adoption of ASU 2018-08

In 2019, the Organization adopted the requirements in FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Subsequent Events

Management has evaluated subsequent events through March 9, 2020, the date which the financial statements were available to be issued.

2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2019 and 2018, consisted of amounts pledged for the Organization's programs and operations. Payments are scheduled to be received in subsequent years as follows:

Year ended December 31			
2020	\$	725,000	
2021		225,000	
2022		225,000	
			\$ 1,175,000

3. INVESTMENTS - CERTIFICATES OF DEPOSIT

As of December 31, certificates of deposit consisted of the following:

	2019	2018
Certificates of deposit - Level 2	\$ 1,577,262	\$ 1,235,262
Endowment certificates of deposit - Level 2	114,738	114,738
	\$ 1,692,000	\$ 1,350,000

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
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4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 115,000	\$ 115,000
Building	1,549,165	1,549,165
Office equipment	45,799	45,799
Computers and printers	36,925	44,316
Website	52,186	52,186
Furniture and fixtures	59,327	59,627
Building improvements	<u>17,446</u>	<u>17,446</u>
	1,875,848	1,883,539
Less accumulated depreciation	<u>(500,005)</u>	<u>(451,595)</u>
	<u>\$ 1,375,843</u>	<u>\$ 1,431,944</u>

5. ENDOWMENT FUND

The Organization's endowment consists of one fund. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") 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, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

5. ENDOWMENT FUND (Continued)

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 the Organization to retain as a fund of perpetual duration. As of December 31, 2019 and 2018, the fund had no such deficiencies.

Return Objectives and Risk Parameters

The Organization 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 the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve endowment capital and provide a minimum annual target rate of return.

Strategies Employed for Achieving Objectives

To satisfy the investment objective of preserving endowment capital and to provide a minimum rate of return, the Organization has invested in certificates of deposit. These investments minimize market risk and provide the Organization with a strategy to meet donor restrictions of maintaining endowment principal in perpetuity.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The amount of income earned on the principal amount of the endowment each year will be transferred to help fund the graduate fellow program. Income shall be defined as interest earned on certificates of deposit. The historic value is the value of all gifts and transfers to the fund as of the date of such transfer. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to preserve historical fund balance. This is consistent with the Organization's objective to preserve the historic value of the endowment assets held in perpetuity or for a specified term, as well as to provide investment return for operations.

Endowment net asset composition by fund type as of December 31, 2019 and 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Donor-restricted endowment funds	\$ -	\$ 114,738	\$ 114,738
2018			
Donor-restricted endowment funds	\$ -	\$ 114,738	\$ 114,738

There were no changes in endowment net asset composition by fund type for the years ended December 31, 2019 and 2018.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
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6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	2019	2018
Subject to expenditure for specific purpose:		
Research	\$ 510,492	\$ 203,138
Outreach	411,127	450,718
Promises to give, the proceeds of which have been restricted for specific purpose:		
Research	196,373	300,000
Outreach	878,627	625,000
	1,996,619	1,578,856
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	100,000	200,000
Perpetual in nature:		
William S. Broadbent Family Endowment	114,738	114,738
	\$ 2,211,357	\$ 1,893,594

During the years ended December 31, 2019 and 2018, \$1,103,333 and \$1,651,612, respectively, of net assets with donor restrictions were released to net assets without donor restrictions as donor-imposed stipulations or time restrictions were met.

7. BOARD DESIGNATED NET ASSETS

During 2019, the Board of Directors of the Organization reviewed its plans for future property improvements and building expenses and designated net assets to assure adequate funding of such improvements. Board designated net assets as of December 31, 2019 and 2018 were \$36,000 and \$24,000, respectively.

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8. LIQUIDITY AND AVAILABILITY

The following reflects PERC's financial assets as of December 31, 2019, reduced by amounts not available for general use because of donor-imposed restrictions within a time frame either set or not set by each donor individually. Amounts not available include the restricted funds designated by the donor that will not be used within one year, the endowment fund, and the board designated funds for building improvements and maintenance, that could be drawn upon if the board of directors approves that action.

Financial assets			
Cash and cash equivalents	\$	1,116,331	
Investments - certificates of deposit		1,692,000	
Grants and other receivables		620	
Unconditional promises to give		<u>1,175,000</u>	
			\$ 3,983,951
Unavailable for general expenditures within one year			
Board restricted building reserve		36,000	
Endowment		114,738	
Donor restricted funds		309,836	
Unconditional promises, due in more than one year		<u>450,000</u>	
			<u>910,574</u>
Total financial resources available for general expenditure			<u>\$ 3,073,377</u>

PERC is a non-profit organization supported by both unrestricted and restricted donor contributions. PERC's donor restricted funds have different restrictions that are set by each individual donor for how resources are to be used in a particular manner or in a future period, PERC must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year and are kept separate from the available unrestricted funds that are available for general expenditures. As part of PERC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, PERC invests cash in excess of daily operating requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was \$753,609 as of December 31, 2019. It is the goal of the board of directors, to maintain 6 months' worth of operating expenditures in cash.

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9. OPERATING LEASE

The Organization entered into a lease agreement for a copier in October 2015. The term of the lease is for 60 months. Monthly lease payments are \$335. Lease expense for both years ended December 31, 2019 and 2018, amounted to \$4,020. Future minimum lease payments due in the year ended December 31, 2020 are \$3,015.

10. RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan to all full-time employees who have reached the age of 21 and who have been employed by the Organization for a period of one month. The Organization's contributions to participating employees is based on a percentage rate that is determined annually. The percentage rate for both years was 5%. During the years ended December 31, 2019 and 2018, the Organization's contribution to the Plan totaled \$64,489 and \$47,662, respectively. Employees also have an option of contributing a portion of their salary into the plan up to the IRS established annual limit.

11. LEASE INCOME

During the years ended December 31, 2019 and 2018, the Organization sublet tenant space in the operating facility owned by the Organization. Rental income for both the years ended December 31, 2019 and 2018, amounted to \$22,200. The sublease was renewed for another year through 2020. Future minimum lease income is \$25,900 for 2020.

12. RELATED PARTY TRANSACTIONS

In 2019 and 2018, the Organization received cash donations from related parties (board members and employees). Related party contributions for the years ended December 31, 2019 and 2018, amounted to \$133,924 and \$99,144, respectively. There were no related party receivables as of December 31, 2019 and 2018.

13. CONCENTRATIONS

A significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near-term. For the year ended December 31, 2019, four contributors gave \$1,105,000, or 37% of total support and revenue. For the year ended December 31, 2018, four contributors gave \$1,056,000, or 47% of total support and revenues.