PROPERTY AND ENVIRONMENT RESEARCH CENTER

AUDITED FINANCIAL STATEMENTS

December 31, 2017 and 2016

AMATICS
CPA GROUP

PROPERTY AND ENVIRONMENT RESEARCH CENTER
CONTENTS

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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 statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' 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 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 2017 financial statements referred to above present fairly, in all material respects, the financial position of Property and Environment Research Center, as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements
The financial statements of Property and Environment Research Center as of December 31, 2016, were audited by other auditors whose report dated March 17, 2017, expressed an unmodified opinion on those statements.

Amatics CPA Group
Bozeman, Montana
February 9, 2018

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PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31	
	2017	**2016**
CURRENT ASSETS		
Cash and cash equivalents	$ 1,222,266	$ 1,199,730
Grants and other receivables	3,296	51,269
Prepaid expenses	2,662	7,464
Unconditional promises to give - current portion	610,000	275,000
Investments - certificates of deposit	1,085,262	1,285,262
Total current assets	2,923,486	2,818,725
PROPERTY AND EQUIPMENT, net of accumulated depreciation	1,467,318	1,478,801
OTHER ASSETS		
Unconditional promises to give, net of current portion	725,000	500,000
Endowment investments - certificates of deposit	114,738	114,738
Total other assets	839,738	614,738
Total assets	$ 5,230,542	$ 4,912,264

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 5,456	$ 9,233
Accrued payroll taxes payable	1,732	4,829
Accrued compensated absences payable	37,942	30,656
Total current liabilities	45,130	44,718
NET ASSETS		
Unrestricted	2,975,705	2,863,057
Unrestricted - Board designated	12,000	-
Temporarily restricted	2,082,969	1,889,751
Permanently restricted	114,738	114,738
Total net assets	5,185,412	4,867,546
Total liabilities and net assets	$ 5,230,542	$ 4,912,264

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF ACTIVITIES
Year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Foundation and corporate support	$ 694,766	$ 1,676,605	$ -	$ 2,371,371
Individual support	174,087	-	-	174,087
Rental income	22,200	-	-	22,200
In-kind support	4,504	-	-	4,504
Interest income	12,589	-	-	12,589
Reimbursements and miscellaneous	1,633	303	-	1,936
	909,779	1,676,908	-	2,586,687
Net assets released from restrictions	1,483,690	(1,483,690)	-	-
Total support and revenues	2,393,469	193,218	-	2,586,687
EXPENSES				
Program services	1,607,657	-	-	1,607,657
General and administrative	389,616	-	-	389,616
Fundraising	271,548	-	-	271,548
Total expenses	2,268,821	-	-	2,268,821
CHANGE IN NET ASSETS	124,648	193,218	-	317,866
Net assets at beginning of year	2,863,057	1,889,751	114,738	4,867,546
NET ASSETS AT END OF YEAR	$ 2,987,705	$ 2,082,969	$ 114,738	$ 5,185,412

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF ACTIVITIES
Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Foundation and corporate support	$ 693,748	$ 1,582,543	$ -	$ 2,276,291
Individual support	172,636	250	-	172,886
Rental income	22,200	-	-	22,200
In-kind support	1,100	-	-	1,100
Interest income	8,269	-	-	8,269
Reimbursements and miscellaneous	2,903	295	-	3,198
	900,856	1,583,088	-	2,483,944
Net assets released from restrictions	1,458,350	(1,458,350)	-	-
Total support and revenues	2,359,206	124,738	-	2,483,944
EXPENSES				
Program services	1,695,202	-	-	1,695,202
General and administrative	326,410	-	-	326,410
Fundraising	247,977	-	-	247,977
Total expenses	2,269,589	-	-	2,269,589
CHANGE IN NET ASSETS	89,617	124,738	-	214,355
Net assets at beginning of year	2,773,440	1,765,013	114,738	4,653,191
NET ASSETS AT END OF YEAR	$ 2,863,057	$ 1,889,751	$ 114,738	$ 4,867,546

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Wages	$ 549,992	$ 204,089	$ 164,410	$ 918,491
Honoraria	326,817	-	-	326,817
Research and fellowships	191,065	-	-	191,065
Payroll taxes	45,600	16,921	13,631	76,152
Benefits	66,254	24,585	19,806	110,645
Total personnel expenses	1,179,728	245,595	197,847	1,623,170
Accounting	-	11,309	-	11,309
Board	-	26,091	-	26,091
Conferences	215,090	-	-	215,090
Contracted services	-	115	-	115
Dues, subscriptions, and publications	55,091	2,617	-	57,708
Equipment	-	4,810	-	4,810
Fundraising and development	-	-	60,592	60,592
Insurance	-	12,856	-	12,856
Office	-	39,348	-	39,348
Organizational assessment	-	15,233	-	15,233
Outreach	95,861	-	-	95,861
Repairs and maintenance	-	16,170	-	16,170
Telephone	7,832	1,958	-	9,790
Travel, meals, and lodging	-	-	13,109	13,109
Utilities	12,567	3,142	-	15,709
Total expenses before depreciation	1,566,169	379,244	271,548	2,216,961
Depreciation	41,488	10,372	-	51,860
Total expenses	$ 1,607,657	$ 389,616	$ 271,548	$ 2,268,821

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	Program Services	General and Administrative	Fundraising	Total
Wages	$ 512,270	$ 180,699	$ 183,622	$ 876,591
Honoraria	345,704	-	-	345,704
Research and fellowships	215,343	-	-	215,343
Payroll taxes	40,986	14,455	14,690	70,131
Benefits	56,954	20,086	20,413	97,453
Total personnel expenses	1,171,257	215,240	218,725	1,605,222
Accounting	-	8,350	-	8,350
Board	-	27,360	-	27,360
Conferences	237,498	-	-	237,498
Contracted services	-	335	-	335
Dues, subscriptions, and publications	74,480	1,816	-	76,296
Equipment	-	2,683	-	2,683
Fundraising and development	-	-	19,216	19,216
Insurance	-	11,207	-	11,207
Office	224	33,131	-	33,355
Outreach	148,689	-	-	148,689
Rent	481	120	-	601
Repairs and maintenance	1,003	10,782	-	11,785
Telephone	6,901	1,725	-	8,626
Travel, meals, and lodging	26	-	10,036	10,062
Utilities	9,011	2,253	-	11,264
Total expenses before depreciation	1,649,570	315,002	247,977	2,212,549
Depreciation	45,632	11,408	-	57,040
Total expenses	$ 1,695,202	$ 326,410	$ 247,977	$ 2,269,589

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENTS OF CASH FLOWS

	Years ended December 31	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 317,866	$ 214,355
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	51,860	57,040
Loss on disposal of property and equipment	147	-
Donation of property and equipment	(1,529)	-
(Increase) decrease in current assets:		
Unconditional promises to give	(560,000)	(379,500)
Grants receivable	47,973	(49,425)
Prepaid expenses	4,802	2,933
Increase (decrease) in current liabilities:		
Accounts payable	(3,777)	7,539
Accrued payroll taxes	(3,097)	6,313
Accrued compensated absences	7,286	-
Net cash used by operating activities	(138,469)	(140,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(38,995)	(1,226)
Purchases of building improvements	-	(5,238)
Purchases of certificates of deposit	(1,950,000)	(2,300,000)
Proceeds from maturities of certificates of deposit	2,150,000	2,647,840
Net cash provided by investing activities	161,005	341,376
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,536	200,631
Cash and cash equivalents at beginning of year	1,199,730	999,099
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,222,266	$ 1,199,730

See notes to financial statements.

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.

Classification of Net Assets

The Organization reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use income earned on the restricted assets for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the period in which the restrictions are satisfied.

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.

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 2017 and 2016, 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, 2017 and 2016, the Organization's deposits exceeded the insured limits by $24,216 and $180,447, respectively.

Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Unrestricted promises to give, which are scheduled to be received after one year, are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets 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.

It is the policy of the Organization to report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long -lived assets are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service.

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 costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organization records purchased property, equipment, and buildings at cost. Major renewals and betterments are capitalized. Ordinary maintenance, repairs, and minor renewals are expensed as incurred. Donated property and equipment is recorded at fair value at the date of donation. 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.

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, 2017 and 2016.

The Organization's policy for determining the timing of significant transfers between Levels 1, 2, and 3 is at the end of the reporting period. There were no transfers for the years ended December 31, 2017 and 2016.

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.

Financial Statement Presentation

Certain reclassifications have been made to the 2016 balances to conform to the 2017 presentation.

Subsequent Events

Management has evaluated subsequent events through February 9, 2018, the date which the financial statements were available to be issued.

2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2017 and 2016, consisted of amounts pledged for the Organization's programs and operations. Pledge payments are scheduled to be received in subsequent years as follows:

Year ended December 31		
2018	$ 610,000	
2019	475,000	
2020	250,000	
		$ 1,335,000

3. INVESTMENTS - CERTIFICATES OF DEPOSIT

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

	2017	2016
Certificates of deposit - Level 2	$ 1,085,262	$ 1,285,262
Endowment certificates of deposit - Level 2	114,738	114,738
	$ 1,200,000	$ 1,400,000

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 and 2016, consist of the following:

	2017	2016
Land	$ 115,000	$ 115,000
Building	1,549,165	1,549,165
Office equipment	45,799	44,254
Computers and printers	44,316	46,209
Website	40,655	10,100
Furniture and fixtures	59,627	65,927
Building improvements	17,446	17,446
	1,872,008	1,848,101
Less accumulated depreciation	(404,690)	(369,300)
	$ 1,467,318	$ 1,478,801

5. ENDOWMENT NET ASSETS

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 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, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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.

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, 2017 and 2016, 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.

5. ENDOWMENT NET ASSETS (Continued)

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, 2017 and 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2017				
Donor-restricted endowment funds	$ -	$ -	$ 114,738	$ 114,738
2016				
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, 2017 and 2016.

6. 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, 2017 and 2016, amounted to $4,020. Future minimum lease payments due in subsequent years are as follows:

Year ended December 31		
2018	$ 4,020	
2019	4,020	
2020	3,015	
		$ 11,055

7. 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 year. 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, 2017 and 2016, the Organization's contribution to the Plan totaled $36,238 and $36,552, respectively. Employees also have an option of contributing a portion of their salary into the plan up to the IRS established annual limit.

8. LEASE INCOME

During the years ended December 31, 2017 and 2016, the Organization sublet tenant space in the operating facility owned by the Organization. Rental income for both the years ended December 31, 2017 and 2016, amounted to $22,200. The initial lease term was 12 months beginning September 1, 2016, and the lease was renewed for another year in September 2017. Future minimum lease income is $14,800 for 2018.

9. COMPENSATED ABSENCES

Vacation
Full-time employees are eligible for vacation pay and accumulate vacation time based on length of employment as follows:

0 to 9 years	15 days per year
10 to 15 years	18 days per year
16 to 20 years	21 days per year
Over 21 years	24 days per year

Employees are allowed to accumulate their vacation up to a maximum of two times the employee's annual accrual rate. Employees are eligible for 100% of their accrued vacation balance upon termination.

Sick Leave
All employees are eligible for sick leave and accumulate 12 days of sick leave per year. The unused portion of sick leave at the end of the year or upon the employee's termination is forfeited.

10. BOARD DESIGNATED NET ASSETS

During 2017, the Board of Directors of the Organization reviewed its plans for future property improvements and building expenses and designated unrestricted net assets to assure adequate funding of such improvements. Board designated net assets as of December 31, 2017 was $12,000.