

PROPERTY AND ENVIRONMENT RESEARCH CENTER

AUDITED FINANCIAL STATEMENTS

December 31, 2023 and 2022



AMATICS
CPA GROUP

**PROPERTY AND ENVIRONMENT RESEARCH CENTER
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Property and Environment Research Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Property and Environment Research Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.



Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Property and Environment Research Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Property and Environment Research Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Bozeman, Montana
March 19, 2024

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

ASSETS

	December 31	
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 573,153	\$ 1,587,982
Unconditional promises to give - current portion	965,000	585,070
Prepaid expenses and other current assets	22,675	200
Investments	6,563,351	3,123,621
Total current assets	8,124,179	5,296,873
PROPERTY AND EQUIPMENT , net of accumulated depreciation	1,304,467	1,337,115
OTHER ASSETS		
Unconditional promises to give, net of current portion	414,992	666,145
Endowment assets	111,444	101,864
Total other assets	526,436	768,009
Total assets	\$ 9,955,082	\$ 7,401,997

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 79,495	\$ 46,895
Accrued payroll liabilities	167,526	104,888
Total current liabilities	247,021	151,783
NET ASSETS		
Without donor restrictions		
Undesignated	5,004,218	2,667,702
Board designated	1,423,804	1,293,370
Total net assets without donor restrictions	6,428,022	3,961,072
With donor restrictions		
Purpose restricted	2,565,301	2,894,334
Time restricted	600,000	280,070
Endowment	114,738	114,738
Total net assets with donor restrictions	3,280,039	3,289,142
Total net assets	9,708,061	7,250,214
Total liabilities and net assets	\$ 9,955,082	\$ 7,401,997

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF ACTIVITIES
Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Foundation and corporate support	\$ 3,519,825	\$ 1,287,933	\$ 4,807,758
Individual support	861,826	-	861,826
Rental income	39,663	-	39,663
In-kind support	21,640	-	21,640
Investment income, net	196,856	-	196,856
Reimbursements and miscellaneous	15,984	2,800	18,784
	<u>4,655,794</u>	<u>1,290,733</u>	<u>5,946,527</u>
Net assets released from restrictions	<u>1,299,836</u>	<u>(1,299,836)</u>	<u>-</u>
	<u>5,955,630</u>	<u>(9,103)</u>	<u>5,946,527</u>
EXPENSES			
Program services	2,602,293	-	2,602,293
General and administrative	496,755	-	496,755
Fundraising	389,632	-	389,632
	<u>3,488,680</u>	<u>-</u>	<u>3,488,680</u>
	<u>2,466,950</u>	<u>(9,103)</u>	<u>2,457,847</u>
CHANGE IN NET ASSETS			
Net assets at beginning of year	<u>3,961,072</u>	<u>3,289,142</u>	<u>7,250,214</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 6,428,022</u></u>	<u><u>\$ 3,280,039</u></u>	<u><u>\$ 9,708,061</u></u>

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Foundation and corporate support	\$ 1,013,075	\$ 3,117,140	\$ 4,130,215
Individual support	761,135	20,000	781,135
Rental income	49,889	-	49,889
In-kind support	1,300	-	1,300
Investment income, net	1,827	-	1,827
Reimbursements and miscellaneous	26,487	-	26,487
	<u>1,853,713</u>	<u>3,137,140</u>	<u>4,990,853</u>
Net assets released from restrictions	<u>640,275</u>	<u>(640,275)</u>	<u>-</u>
	<u>2,493,988</u>	<u>2,496,865</u>	<u>4,990,853</u>
EXPENSES			
Program services	2,346,354	-	2,346,354
General and administrative	562,203	-	562,203
Fundraising	309,508	-	309,508
	<u>3,218,065</u>	<u>-</u>	<u>3,218,065</u>
	<u>(724,077)</u>	<u>2,496,865</u>	<u>1,772,788</u>
CHANGE IN NET ASSETS			
Net assets at beginning of year	<u>4,685,149</u>	<u>792,277</u>	<u>5,477,426</u>
NET ASSETS AT END OF YEAR			
	<u>\$ 3,961,072</u>	<u>\$ 3,289,142</u>	<u>\$ 7,250,214</u>

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 1,478,590	\$ 220,219	\$ 223,965	\$ 1,922,774
Honoraria	194,825	-	-	194,825
Research and fellowships	115,859	1,040	81	116,980
Payroll taxes	104,708	14,640	14,774	134,122
Benefits	<u>231,218</u>	<u>4,478</u>	<u>34,066</u>	<u>269,762</u>
Total personnel expenses	2,125,200	240,377	272,886	2,638,463
Accounting	-	49,470	-	49,470
Board	-	34,051	-	34,051
Contracted services	34,573	4,763	51,279	90,615
Cost of goods sold	-	2,500	-	2,500
Dues and subscriptions	60,762	26,532	7,201	94,495
Insurance	-	10,194	-	10,194
Office	6,677	50,186	594	57,457
Outreach	35,115	6,021	-	41,136
Postage	24,589	4,180	11,557	40,326
Publications	109,890	545	27,252	137,687
Readings and supplies	1,055	272	5,313	6,640
Repairs and maintenance	-	19,500	-	19,500
Travel, meals, and lodging	148,979	3,804	4,521	157,304
Utilities	<u>1,276</u>	<u>38,109</u>	<u>-</u>	<u>39,385</u>
Total expenses before depreciation	2,548,116	490,504	380,603	3,419,223
Depreciation	<u>54,177</u>	<u>6,251</u>	<u>9,029</u>	<u>69,457</u>
Total expenses	<u>\$ 2,602,293</u>	<u>\$ 496,755</u>	<u>\$ 389,632</u>	<u>\$ 3,488,680</u>

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 1,243,011	\$ 219,850	\$ 178,394	\$ 1,641,255
Honoraria	194,114	-	-	194,114
Research and fellowships	106,468	936	-	107,404
Payroll taxes	87,162	19,426	12,408	118,996
Benefits	<u>179,118</u>	<u>55,801</u>	<u>22,742</u>	<u>257,661</u>
Total personnel expenses	1,809,873	296,013	213,544	2,319,430
Accounting	-	44,809	-	44,809
Board	-	41,709	-	41,709
Contracted services	3,001	3,698	24,170	30,869
Dues and subscriptions	58,367	19,069	6,420	83,856
Insurance	-	14,909	-	14,909
Office	5,099	53,457	4,434	62,990
Outreach	102,778	-	-	102,778
Postage	22,887	618	11,934	35,439
Publications	95,333	6,841	25,811	127,985
Readings and supplies	2,965	101	3,988	7,054
Repairs and maintenance	32,081	35,380	-	67,461
Travel, meals, and lodging	155,532	6,131	12,370	174,033
Utilities	300	29,843	420	30,563
Website	<u>2,886</u>	<u>-</u>	<u>-</u>	<u>2,886</u>
Total expenses before depreciation	2,291,102	552,578	303,091	3,146,771
Depreciation	<u>55,252</u>	<u>9,625</u>	<u>6,417</u>	<u>71,294</u>
Total expenses	<u>\$ 2,346,354</u>	<u>\$ 562,203</u>	<u>\$ 309,508</u>	<u>\$ 3,218,065</u>

See notes to financial statements.

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

	Years ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from donors and grantors	\$ 5,540,807	\$ 3,843,787
Other cash receipts	66,417	93,242
Payments for salaries and related costs	(2,575,825)	(2,274,956)
Payments to vendors	(748,994)	(846,624)
Net cash provided by operating activities	2,282,405	815,449
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(36,810)	(64,120)
Purchases of investments	(3,847,503)	(3,123,621)
Proceeds from sales of investments	587,079	1,791,348
Net cash used by investing activities	(3,297,234)	(1,396,393)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,014,829)	(580,944)
Cash and cash equivalents at beginning of year	1,587,982	2,168,926
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 573,153	\$ 1,587,982

See notes to financial statements.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 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, 2023 and 2022

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 2023 and 2022, 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, 2023 and 2022, the Organization's deposits exceeded the insured limits by \$102,911 and \$279,945, respectively.

Receivables

Unconditional promises to give (i.e pledges receivable) are measured at the discounted present value of their future cash flows. Amortization of the discounts is included in foundation and corporate support. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted until payments are received. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. The discount rate used in the present value measurement is revised at each measurement date to reflect current market conditions and the creditworthiness of donors. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. 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. Intentions to give do not have legally enforceable documentation and, as such, are considered conditional and are not recognized until payment is received by the Organization.

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 collectible; 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.

Revenue Recognition

Contributions and Grants

Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional donor promises to give are recognized on the date there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. Contributions of donor-restricted gifts are recognized at the time of the gift. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt.

The gifts are reported either as net assets without donor restrictions or net assets with donor restrictions if they were received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Equipment

The Organization capitalizes all acquisitions of property, equipment, and buildings in excess of \$500 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.

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented, most significantly a reclassification of \$1,147,995 between cash and cash equivalents and investments. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Management has evaluated subsequent events through March 19, 2024, the date which the financial statements were available to be issued.

2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2023 and 2022, consisted of amounts pledged for the Organization's programs and operations.

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 965,000	\$ 585,070
One to five years	<u>456,346</u>	<u>745,000</u>
	1,421,346	1,330,070
Less: discount to present value	<u>(41,354)</u>	<u>(78,855)</u>
Unconditional promises to give, net of discount	1,379,992	1,251,215
Less: current portion	<u>(965,000)</u>	<u>(585,070)</u>
Unconditional promises to give, net of current portion	<u>\$ 414,992</u>	<u>\$ 666,145</u>

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

3. INVESTMENTS

As of December 31, investments consisted of the following:

	2023	2022
Certificates of deposit	\$ -	\$ 1,147,995
Mutual funds	6,563,351	1,975,626
Endowment mutual funds	111,444	101,864
	\$ 6,674,795	\$ 3,225,485

4. FAIR VALUE

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair values of assets measured on a recurring basis at December 31, 2023 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 6,674,795	\$ 6,674,795	\$ -	\$ -
Promises to give	1,379,992	-	-	1,379,992
	\$ 8,054,787	\$ 6,674,795	\$ -	\$ 1,379,992

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

4. FAIR VALUE (Continued)

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 1,147,995	\$ -	\$ 1,147,995	\$ -
Mutual funds	2,077,490	2,077,490	-	-
Promises to give	<u>1,251,215</u>	<u>-</u>	<u>-</u>	<u>1,251,215</u>
	<u>\$ 4,476,700</u>	<u>\$ 2,077,490</u>	<u>\$ 1,147,995</u>	<u>\$ 1,251,215</u>

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, 2023 and 2022.

Mutual funds are valued at the quoted market price for those securities. Certificates of deposit are valued using rates currently offered for deposits of similar remaining maturities.

The fair value of promises to give are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at the discounted present value of the expected future cash flows.

The reconciliation of the changes in the promises to give measured at fair value on a recurring basis using significant unobservable inputs is as follows:

	<u>2023</u>	<u>2022</u>
Pledges receivable, beginning of year	\$ 1,251,215	\$ 225,000
Additional pledges	720,000	1,480,070
Payments received	(628,724)	(375,000)
Change in discount	<u>37,501</u>	<u>(78,855)</u>
Pledges receivable, end of year	<u>\$ 1,379,992</u>	<u>\$ 1,251,215</u>

PROPERTY AND ENVIRONMENT RESEARCH CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 115,000	\$ 115,000
Building	1,549,165	1,549,165
Office equipment	47,098	47,098
Computers and printers	115,445	115,445
Website	112,186	92,186
Furniture and fixtures	61,332	61,332
Building improvements	<u>85,705</u>	<u>68,895</u>
	2,085,931	2,049,121
Less accumulated depreciation	<u>(781,464)</u>	<u>(712,006)</u>
	<u>\$ 1,304,467</u>	<u>\$ 1,337,115</u>

6. 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.

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6. ENDOWMENT FUND (Continued)

As of December 31, 2023 and 2022, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2023:			
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 114,738	\$ 114,738
Accumulated investment earnings	(3,294)	-	(3,294)
	\$ (3,294)	\$ 114,738	\$ 111,444
December 31, 2022:			
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 114,738	\$ 114,738
Accumulated investment earnings	(12,874)	-	(12,874)
	\$ (12,874)	\$ 114,738	\$ 101,864

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 MUPMIFA requires the Organization to retain as a fund of perpetual duration. As of December 31, 2023 and 2022, the fund had deficiencies of \$3,294 and \$12,874, respectively.

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 either growth of capital or revenue to fund programs, the Organization has invested in a blended investment portfolio. These investments factor in market risk and provide the Organization with a strategy to meet donor restrictions of maintaining endowment principal in perpetuity, while also achieving growth or funding objectives. The investment allocation of the endowment is reviewed by the Finance Committee and approved by the Board of Directors.

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6. ENDOWMENT FUND (Continued)

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 may be transferred to help fund organizational programs or kept within the Endowment Fund to advance growth objectives and support future programs. Income shall be defined as interest earned on certificates of deposit, returns and dividends from investments, or other similar income. As income is intended for the advancement of programs, and in line with donor intent, income remaining within the Endowment, and growth in the value of investments, shall be considered unrestricted assets. 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 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.

Changes in endowment net assets for the years ended December 31, 2023 and 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2021	\$ 2,165	\$ 114,738	\$ 116,903
Investment return net, 2022	<u>(15,039)</u>	<u>-</u>	<u>(15,039)</u>
Endowment net assets, December 31, 2022	(12,874)	114,738	101,864
Investment return net, 2023	<u>9,580</u>	<u>-</u>	<u>9,580</u>
Endowment net assets, December 31, 2023	<u>\$ (3,294)</u>	<u>\$ 114,738</u>	<u>\$ 111,444</u>

7. RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan for 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, 2023 and 2022, the Organization's contribution to the Plan totaled \$99,815 and \$81,239, respectively. Employees also have an option of contributing a portion of their salary into the plan up to the IRS established annual limit.

8. RELATED PARTY TRANSACTIONS

In 2023 and 2022, the Organization received cash donations from related parties (board members and employees). Related party contributions for the years ended December 31, 2023 and 2022, amounted to \$140,957 and \$174,039, respectively. There were no related party receivables as of December 31, 2023 and 2022.

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9. LIQUIDITY AND AVAILABILITY

The following reflects PERC's financial assets as of December 31, 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.

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 573,153	\$ 1,587,982
Investments	6,563,351	3,123,621
Unconditional promises to give	1,379,992	1,251,215
Endowment assets	<u>111,444</u>	<u>101,864</u>
	<u>8,627,940</u>	<u>6,064,682</u>
Unavailable for general expenditures within one year		
Board designated funds	1,423,804	1,293,370
Endowment	111,444	101,864
Donor restricted funds	2,565,301	2,894,334
Unconditional promises, due in more than one year	<u>414,992</u>	<u>666,145</u>
	<u>4,515,541</u>	<u>4,955,713</u>
Total financial resources available for general expenditure	<u>\$ 4,112,399</u>	<u>\$ 1,108,969</u>

PERC is a non-profit organization supported by both unrestricted and restricted donor contributions. PERC's donor restricted funds have various restrictions that are set by each individual donor for how resources are to be used in either a particular manner or in a future period or both. 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 \$1,290,850 and \$1,143,261 as of December 31, 2023 and 2022, respectively (see Note 10). It is the goal of the Board of Directors to maintain 6 months' worth of operating expenditures in cash.

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10. BOARD DESIGNATED NET ASSETS

The Board of Directors of the Organization has designated funds to a building reserve and a liquidity reserve to assure adequate funding for building expenses and improvements as well as future operational liquidity. Board designated net assets as of December 31, 2023 and 2022, were as follows.

	2023	2022
Building reserve	\$ 132,954	\$ 150,109
Liquidity reserve	1,290,850	1,143,261
	\$ 1,423,804	\$ 1,293,370

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to expenditure for specific purpose:		
Research	\$ 70,857	\$ 54,387
Outreach	1,058,126	929,129
Building	132,954	150,109
Applied programs	201,084	166,000
Mixed	277,280	544,709
Promises to give, the proceeds of which have been restricted for specific purpose:		
Outreach	520,000	750,000
Applied programs	80,000	-
Mixed	225,000	300,000
	2,565,301	2,894,334
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	600,000	280,070
Perpetual in nature:		
Donor restricted investments held in perpetuity	114,738	114,738
	\$ 3,280,039	\$ 3,289,142

During the years ended December 31, 2023 and 2022, \$1,299,836 and \$640,275, respectively, of net assets with donor restrictions were released to net assets without donor restrictions as donor-imposed stipulations or time restrictions were met.

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12. 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, 2023, five contributors gave 60% of total support and revenue. For the year ended December 31, 2022, five contributors gave 27% of total support and revenues.

13. OPERATING LEASES

Lessee

The Organization entered into a lease agreement for a copier in October 2020. The term of the lease was for 60 months with monthly lease payments of \$254. Lease expense for 2023 and 2022 amounted to \$3,042, for each year.

Future minimum lease payments due in subsequent years are as follows:

Year ended December 31:			
2024	\$	3,042	
2025		2,535	
			\$ 5,577

Lessor

The Organization leases a portion of its building to another Organization. The lease is a six year lease, commencing July 2021 and expiring June 2027. Lease income under this lease was \$43,211 and \$41,952 for the years ended December 31, 2023 and 2022, respectively.

Future minimum lease payments due in subsequent years are as follows:

Year ended December 31:			
2024	\$	44,507	
2025		45,843	
2026		47,218	
2027		23,958	
			\$ 161,526