

INSTITUTE OF NOETIC SCIENCES
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-13

Holden & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Institute of Noetic Sciences
Petaluma, California

We have audited the accompanying financial statements of Institute of Noetic Sciences (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of Noetic Science as of June 30, 2017 and 2016, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Organization reclassified the permanently restricted net assets to temporarily restricted net assets as of June 30, 2016.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HOLDEN & COMPANY LLP



Thomas J. Holden
Certified Public Accountant

San Rafael, California
April 4, 2018

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017			2016
	<u>ASSETS</u>			
	Unrestricted	Temporarily Restricted	Total	
CURRENT ASSETS				
Cash	\$ 168,543	\$ 479,069	\$ 647,612	\$ 1,037,194
Accounts Receivable	143,343		143,343	156,889
Interfund Receivable (Payable)	(271,325)	271,325	0	0
Inventory	22,374		22,374	27,626
Prepaid Expenses and Deposits	133,023		133,023	73,930
Total Current Assets	195,958	750,394	946,352	1,295,639
FIXED ASSETS				
Fixed Assets	11,253,634		11,253,634	11,097,900
Less: Accumulated Depreciation	(3,845,369)		(3,845,369)	(3,575,931)
Net Fixed Assets	7,408,265		7,408,265	7,521,969
TOTAL ASSETS	\$ 7,604,223	\$ 750,394	\$ 8,354,617	\$ 8,817,608
	<u>LIABILITIES & NET ASSETS</u>			
CURRENT LIABILITIES				
Accounts Payable	\$ 222,862		\$ 222,862	\$ 116,579
Accrued Interest on Notes	0		0	28,408
Accrued Vacations	96,755		96,755	91,741
Notes Payable	1,680,000		1,680,000	2,080,000
Deferred Revenue	623,142		623,142	380,935
Total Current Liabilities	2,622,759		2,622,759	2,697,663
TOTAL LIABILITIES	\$ 2,622,759		\$ 2,622,759	\$ 2,697,663
	<u>NET ASSETS</u>			
Unrestricted Net Assets	\$ 4,981,464		\$ 4,981,464	\$ 5,364,367
Temporarily Restricted		\$ 750,394	750,394	755,578
TOTAL NET ASSETS	4,981,464	750,394	\$ 5,731,858	\$ 6,119,945
TOTAL LIABILITIES AND NET ASSETS	\$ 7,604,223	\$ 750,394	\$ 8,354,617	\$ 8,817,608

See Independent Auditor's Report and Notes to Financial Statements.

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
REVENUES, GAINS, AND OTHER SUPPORT				
SUPPORT				
Contributions	\$ 1,053,866	\$ 951,230	\$ 2,005,096	\$ 1,703,364
REVENUES				
Facility Rentals	2,446,129		2,446,129	2,329,236
Conferences and Events	0		0	(23,913)
Interest and Dividends	1,405		1,405	504
Interfund Interest	(10,000)	10,000	0	0
Sales of Books, CDs and DVDs, Net	60,557		60,557	80,246
Royalties, Fees, & Other	123,620		123,620	116,541
Total Revenues	<u>2,621,711</u>	<u>10,000</u>	<u>2,631,711</u>	<u>2,502,614</u>
TOTAL SUPPORT AND REVENUES	3,675,577	961,230	4,636,807	4,205,978
EXPENSES				
PROGRAM SERVICES				
Research	1,002,246		1,002,246	663,728
Education	2,900,525		2,900,525	2,958,864
Total Program Services	<u>3,902,771</u>		<u>3,902,771</u>	<u>3,622,592</u>
SUPPORTING SERVICES				
Management and General	593,063		593,063	688,602
Fundraising	529,060		529,060	442,381
Total Supporting Services	<u>1,122,123</u>		<u>1,122,123</u>	<u>1,130,983</u>
TOTAL EXPENSES	<u>5,024,894</u>		<u>5,024,894</u>	<u>4,753,575</u>
Contributions Released from Restrictions	<u>966,414</u>	<u>(966,414)</u>	<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	(382,903)	(5,184)	(388,087)	(547,597)
NET ASSETS AT BEGINNING OF YEAR	<u>5,364,367</u>	<u>755,578</u>	<u>6,119,945</u>	<u>6,667,542</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,981,464</u>	<u>\$ 750,394</u>	<u>\$ 5,731,858</u>	<u>\$ 6,119,945</u>

See Independent Auditor's Report and Notes to Financial Statements.

INSTITUTE OF NOETIC SCIENCES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES			
	Research	Education	Total Program Services	Mgmt & General	Fundraising	Total Supporting Services	Total Expenditures
Salaries	\$ 348,335	\$ 1,211,455	\$ 1,559,790	\$ 294,982	\$ 349,878	\$ 644,860	\$ 2,204,650
Occupancy	8,021	601,431	609,452	6,280	1,687	7,967	617,419
Professional Fees	455,399	15,514	470,913	56,340	0	56,340	527,253
Retreats and Events	22,780	442,013	464,793	8,442	9,054	17,496	482,289
Depreciation	13,472	242,495	255,967	10,778	2,694	13,472	269,439
Employee Benefits	41,406	144,003	185,409	35,064	41,589	76,653	262,062
Payroll Taxes	25,643	89,181	114,824	21,715	25,756	47,471	162,295
Office	34,008	60,573	94,581	23,530	5,198	28,728	123,309
Data and Telecomm	43,609	44,110	87,719	10,842	11,486	22,328	110,047
Interest	0	0	0	96,147	0	96,147	96,147
Printing and Publications	0	57	57	1,299	51,033	52,332	52,389
Merchant Service Fees	0	34,625	34,625	430	14,065	14,495	49,120
Outreach	3,000	12,172	15,172	23,600	7,089	30,689	45,861
Travel	5,474	1,312	6,786	2,551	5,908	8,459	15,245
Postage & mailing	1,099	366	1,465	1,063	3,623	4,686	6,151
Royalties	0	1,218	1,218	0	0	0	1,218
Total Functional Expenses	\$ 1,002,246	\$ 2,900,525	\$ 3,902,771	\$ 593,063	\$ 529,060	\$ 1,122,123	\$ 5,024,894
			78%	12%	10%		100%

See Independent Auditor's Report and Notes to Financial Statements.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 and 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Institute of Noetic Sciences (the Organization), founded in 1973, is a non-profit organization dedicated to supporting individual and collective transformation through consciousness research, transformative learning, and engagement of a global community in the realization of human potential.

The Organization conducts, advances, and broadens the science of what connects us, reaching new understandings about the nature of reality and extended human capacities. From what is learned, the Organization creates real-world tools that empower people to apply conscious awareness in their personal lives, and in healthcare, education, and business.

The Organization hosts a vibrant community of explorers and change agents who are working together to make a difference in the world.

Method of Accounting

The accrual method of accounting is used for financial statement purposes.

Depreciation and Capitalization

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three to thirty years. Donated artwork is held on the books at its estimated fair market value at the date of donation, and, in accordance with Generally Accepted Accounting Principles (GAAP) is not depreciated. Depreciation expense for the years ended June 30, 2017 and 2016, was \$269,439 and \$253,860 respectively.

Maintenance and repairs are charged to operations when incurred. When property or equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are reduced, and any gain or loss is included in operations.

Whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, management reviews the carrying amount of the asset to determine if there has been impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the undiscounted future net cash flows expected to be generated by that asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management of the Organization believes that its long-lived assets are recoverable over the remaining useful lives.

Recognition of Revenue and Expenses

Revenue is recorded when earned and expenditures when incurred.

Accounts Receivable

Receivables are considered past due after 30 days.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 and 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenditures

The Organization reports its expenditures on a functional basis. Expenditures that are common to several functions are allocated among the pertinent functions.

Contributed Services

No amounts have been reflected in the financial statement for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Contributions

Contributions received are considered available and unrestricted for the general program unless temporarily or permanently restricted by the donor and are reflected in net assets as such.

Funds are considered temporarily restricted if the donor imposes a restriction, which will either expire by the passage of time or will be fulfilled and removed, by actions of the Organization pursuant to those stipulations. At the time of fulfillment, those contributions are removed from the temporarily restricted category and are then considered unrestricted.

Funds are considered permanently restricted if the donor imposes a restriction that the funds be maintained permanently, though the Organization may use the income derived from such assets or a fixed percentage of the fair market value of the fund.

Donated property is recorded in the financial statements at the estimated fair market value at the date of receipt.

Inventories

Inventories are stated at the lower of cost or market with the average cost method for promotional merchandise and perpetual method for the retreat center bookstore. Inventories consist of promotional merchandise and the retreat center bookstore.

Sales Tax

Gross receipts are shown net of sales tax collected.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 and 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation/Sick Pay

Vacation and sick pay benefits are based on each employee's length of employment and only vacation may be carried over to the next year. The accrued balances for the years ended June 30, 2017 and 2016, were \$96,755 and \$91,741 respectively.

Bad Debt

The Organization elects to record bad debt using the direct write-off method. GAAP requires that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the result that would be obtained had the allowance method been followed.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and California franchise tax under Section 23701(d) of the Revenue and Taxation Code. The Organization used the same accounting methods for tax and financial reporting.

GAAP provides accounting and disclosure guidance about positions taken by the Organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for the years ended June 30, 2014, 2015 and 2016, are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

NOTE 2 - CASH

The Organization does not have any cash equivalents.

The Organization maintains its cash in bank accounts which, at times may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC), insured these accounts, to the extent that the accounts in any one bank did not exceed \$250,000. On June 30, 2017 the accounts exceeded \$250,000 by \$397,612. Such funds were at risk in the event of insolvency of the banking institutions.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 and 2016

NOTE 3 – INVENTORIES

Inventories at June 30, 2017 and 2016, consist of the following:

	2017		
	Cost	Market	Lower of Cost or Market
Retreat Center Bookstore	\$ 13,892	\$ 49,056	\$ 13,892
Education Products Inventory	8,482	44,542	8,482
	\$ 22,374	\$ 93,598	\$ 22,374
	2016		
	Cost	Market	Lower of Cost or Market
Premium Merchandise	\$ 3,052	\$ 15,891	\$ 3,052
Retreat Center Bookstore	16,183	37,793	16,183
Education Products Inventory	8,391	63,531	8,391
	\$ 27,626	\$ 117,215	\$ 27,626

NOTE 4 – FIXED ASSETS

Fixed assets at June 30, 2017 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 4,800,000	\$ 0	\$ 4,800,000
Buildings and Improvements	5,340,884	3,320,621	2,020,263
Furniture and Equipment	550,867	479,200	71,667
Construction in Progress	512,535	0	512,535
Trucks and Automobiles	45,548	45,548	0
Artwork	3,800	0	3,800
	\$ 11,253,634	\$ 3,845,369	\$ 7,408,265

See Independent Auditor's Report.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 and 2016

NOTE 5- NOTES PAYABLE

As of June 30, 2017, the Organization has various notes payable of \$1,680,000, of which \$680,000 is due June 30, 2018 and \$1,000,000 is due June 30, 2020. Each of these notes has an interest rate of 5%.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization had two lines of credit with Betsy Gordon, a board member, as assignee of George Zimmer, also a board member. The Assignment was completed July 17, 2013.

One line was a Revolving Line of Credit available up to \$500,000. The other was an Infrastructure Line of Credit, also available up to \$500,000 and with an available draw period ended July 31, 2011. Both loans were carried at an interest rate of 5%, payable June 30th of each year and having commenced June 30, 2010. Effective July 1, 2014 each of these loans began to incur 3 points in addition to the 5% interest rate.

Both loans, secured by the land and buildings of the Organization, were paid off in August 2016 upon receipt of a new \$1,000,000 loan from Calvin Lehew, a board member. The new loan from Calvin Lehew carries an interest rate of 5% with interest payable on June 30 of each year and principal payable in full on June 30, 2020. The Organization paid Calvin Lehew interest of \$42,603 and there was no unpaid accrued interest for the years ended June 30, 2017 and 2016. This loan is secured by the land and buildings of the Organization.

Monica Pal, a board member, loaned the Organization \$50,000 on November 19, 2012 for the purpose of real property improvements. The loan carries an interest rate of 5% with interest and principal payable in full on June 30, 2018. The Organization paid Monica Pal interest of \$2,500 for the year ended June 30, 2017 and there was no unpaid accrued interest for the years ended June 30, 2017 and 2016. This loan is secured by the land and buildings of the Organization.

Harriet Crosby, a board member, loaned the Organization \$50,000 on February 19, 2013 for the purpose of real property improvements. The loan carries an interest rate of 5% with interest and principal payable in full on June 30, 2018. The Organization paid Harriet Crosby interest of \$2,500 for the year ended June 30, 2017 and there was no unpaid accrued interest for the years ended June 30, 2017 and 2016. This loan is secured by the land and buildings of the Organization.

Claudia Welss, a board member, loaned the Organization \$340,000 on January 15, 2016 for the purpose of operating funds and retirement of other debt coming due September 2016. The loan carries an interest rate of 5% with interest and principal payable in full on June 30, 2018. On June 2, 2017 Claudia Welss forgave \$10,000 of this loan. The Organization paid Claudia Welss interest of \$17,000 for the year ended June 30, 2017 and \$7,825 for the year ended June 30, 2016. There was no unpaid interest accrued on this loan for the year ended June 30, 2017. This loan is secured by the land and buildings of the Organization.

NOTE 7 – NET ASSETS

Net assets are the Organization's residual interest in their assets remaining after their liabilities are deducted. Net assets are categorized by unrestricted, temporarily restricted and permanently restricted relating to such restrictions imposed by their contributors discussed in Note 1.

INSTITUTE OF NOETIC SCIENCES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017 and 2016

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

This activity reflects those contributions previously temporarily restricted but have met those requirements described in Note 1 to become released from restrictions. At June 30, 2017 net assets released from restrictions was \$966,414.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016 consist of contributions received, which are restricted for the following purposes:

	2017	2016
Research	\$ 444,756	\$ 475,480
Winston Franklin Endowment Fund	257,774	247,774
Donor Advised Funds	47,864	32,324
	\$ 750,394	\$ 755,578

NOTE 10 – WINSTON FRANKLIN ENDOWMENT FUND

The Organization reviewed its endowment fund and reclassified the funds from permanently restricted net assets to temporarily restricted net assets as of June 30, 2016. For comparison purposes, the summarized prior period amounts have been reclassified. As of June 30, 2017 and 2016 the Winston Franklin Endowment Fund consisted of cash and an interfund receivable in the amount of \$257,774 and \$247,774 respectively.

NOTE 11 – LEASE INCOME

The Organization leases office space to other organizations that closely align with their charitable goals. Lease income was \$74,796 and \$ 77,638 for years ended June 30, 2017 and 2016 respectively. All leases are month to month at June 30, 2017. The leased fixed assets as of June 30, 2017 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Buildings and Improvements	\$ 747,724	\$ 464,887	\$ 282,837

INSTITUTE OF NOETIC SCIENCES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017 and 2016

NOTE 12 – LEASE EXPENSE

The Organization paid \$218,299 and \$212,120 for operating leases for the year ended June 30, 2017 and 2016 respectively. After terminating an office space lease, the Organization had the following minimum lease payments for the remaining four months of that lease through October 31, 2017:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2018	\$ 45,040

The remaining leases are on a month to month basis.

NOTE 13 – COST OF GOODS SOLD

Sales of books, CDs & DVDs are shown net of cost of goods sold on the statement of activities. The Organization sells digital copies of material through their online store, which has no inventory cost. Sales and cost of goods sold at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Sales	\$ 96,979	\$ 113,160
Cost of Goods Sold	<u>36,422</u>	<u>32,914</u>
Net Sales	<u>\$ 60,557</u>	<u>\$ 80,246</u>

NOTE 14 – CONTINGENT LIABILITY

Pursuant to the terms of a contribution agreement, the Organization is obligated to donate the amount of \$504,560 to a non-profit organization in the event of sale of land located at their premises prior to October 25, 2017.

NOTE 15– EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 4, 2018 the date which the financial statements were available to be issued.