



INSTITUTE OF NOETIC SCIENCES  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019

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*Certified Public Accountants Inc.*

## 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, 2020 and 2019, 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, 2020 and 2019, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HAC Certified Public Accountants Inc.

*HAC Certified Public Accountants Inc*

San Rafael, California  
January 22, 2021

INSTITUTE OF NOETIC SCIENCES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,518,881	\$ 900,544
Accounts Receivable	0	111,335
Prepaid Expenses and Deposits	64,771	74,782
Total Current Assets	1,583,652	1,086,661
<b>FIXED ASSETS</b>		
Fixed Assets	11,633,118	11,488,823
Less: Accumulated Depreciation	(4,528,869)	(4,276,128)
Net Fixed Assets	7,104,249	7,212,695
<b>OTHER ASSETS</b>		
Intangibles, net	92,416	145,228
Net Other Assets	92,416	145,228
<b>TOTAL ASSETS</b>	<b>\$ 8,780,317</b>	<b>\$ 8,444,584</b>
<u>LIABILITIES</u>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 102,891	\$ 317,916
Accrued Interest	853	0
Accrued Vacations	149,691	132,183
Notes Payable	100,000	0
EIDL Loan Payable	10,000	0
Legal Trust Fund	22,500	7,500
Deferred Revenue	430,478	844,494
Total Current Liabilities	816,413	1,302,093
<b>LONG TERM LIABILITIES</b>		
Notes Payable	1,280,000	1,480,000
PPP Loan Payable	635,350	0
Total Long Term Liabilities	1,915,350	1,480,000
<b>TOTAL LIABILITIES</b>	<b>\$ 2,731,763</b>	<b>\$ 2,782,093</b>
<u>NET ASSETS</u>		
Without donor restrictions	\$ 5,691,818	\$ 5,188,460
With donor restrictions	356,736	474,031
<b>TOTAL NET ASSETS</b>	<b>\$ 6,048,554</b>	<b>\$ 5,662,491</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,780,317</b>	<b>\$ 8,444,584</b>

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

INSTITUTE OF NOETIC SCIENCES  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
REVENUES, GAINS, AND OTHER SUPPORT				
SUPPORT				
Contributions	\$ 2,990,625	\$ 311,654	\$ 3,302,279	\$ 2,584,356
REVENUES				
Facility Rentals	1,652,578		1,652,578	2,630,986
Program Fees	338,512		338,512	344,179
Interest and Dividends	710		710	866
Interfund Interest	(10,000)	10,000	0	0
Sales of Books, CDs and DVDs, Net	2,357		2,357	5,234
Royalties, Fees, & Other	59,476		59,476	146,413
Total Revenues	<u>2,043,633</u>	<u>10,000</u>	<u>2,053,633</u>	<u>3,127,678</u>
TOTAL SUPPORT AND REVENUES	5,034,258	321,654	5,355,912	5,712,024
EXPENSES				
PROGRAM SERVICES				
Research	976,163		976,163	1,257,496
Education	2,682,522		2,682,522	3,083,740
Total Program Services	<u>3,658,685</u>		<u>3,658,685</u>	<u>4,341,236</u>
SUPPORTING SERVICES				
Management and General	762,770		762,770	691,572
Fundraising	548,394		548,394	665,939
Total Supporting Services	<u>1,311,164</u>		<u>1,311,164</u>	<u>1,357,511</u>
TOTAL EXPENSES	<u>4,969,849</u>		<u>4,969,849</u>	<u>5,698,747</u>
Contributions Released from Restrictions	<u>438,949</u>	<u>(438,949)</u>	<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	503,358	(117,295)	386,063	13,277
NET ASSETS AT BEGINNING OF YEAR	<u>5,188,460</u>	<u>474,031</u>	<u>5,662,491</u>	<u>5,649,214</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,691,818</u>	<u>\$ 356,736</u>	<u>\$ 6,048,554</u>	<u>\$ 5,662,491</u>

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

INSTITUTE OF NOETIC SCIENCES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenditures
	Research	Education	Total Program Services	Mgmt & General	Fundraising	Total Supporting Services	
Salaries	\$ 484,870	\$ 1,206,042	\$ 1,690,912	\$ 322,167	\$ 301,336	\$ 623,503	\$ 2,314,415
Retreats and Events	3,551	428,282	431,833	23,418	15,545	38,963	470,796
Professional Fees	206,815	19,919	226,734	168,635	44,000	212,635	439,369
Occupancy	33,334	345,946	379,280	19,057	8,537	27,594	406,874
Depreciation & Amortization	43,149	249,691	292,840	17,636	10,922	28,558	321,398
Employee Benefits	61,826	153,784	215,610	41,079	38,424	79,503	295,113
Payroll Taxes	34,996	87,047	122,043	23,253	21,749	45,002	167,045
Data and Telecomm	60,496	56,384	116,880	14,506	34,465	48,971	165,851
Office	25,815	82,227	108,042	28,992	3,170	32,162	140,204
Interest	0	0	0	76,375	0	76,375	76,375
Printing and Publications	1,648	21,149	22,797	534	24,878	25,412	48,209
Merchant Service Fees	363	11,433	11,796	7,264	23,245	30,509	42,305
Outreach	3,975	11,742	15,717	17,668	0	17,668	33,385
Travel	13,059	1,394	14,453	0	18,192	18,192	32,645
Postage and Mailing	2,266	4,362	6,628	2,186	3,931	6,117	12,745
Royalties	0	3,120	3,120	0	0	0	3,120
<b>Total Functional Expenses</b>	<b>\$ 976,163</b>	<b>\$ 2,682,522</b>	<b>\$ 3,658,685</b>	<b>\$ 762,770</b>	<b>\$ 548,394</b>	<b>\$ 1,311,164</b>	<b>\$ 4,969,849</b>
			74%	15%	11%		100%

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



INSTITUTE OF NOETIC SCIENCES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenditures
	Research	Education	Total Program Services	Mgmt & General	Fundraising	Total Supporting Services	
Salaries	\$ 456,511	\$ 1,383,676	\$ 1,840,187	\$ 334,940	\$ 305,915	\$ 640,855	\$ 2,481,042
Retreats and Events	13,480	611,654	625,134	18,901	16,977	35,878	661,012
Professional Fees	430,851	14,944	445,795	100,968	36,259	137,227	583,022
Occupancy	45,007	426,810	471,817	23,262	10,620	33,882	505,699
Depreciation & Amortization	22,793	216,152	238,945	24,983	5,378	30,361	269,306
Employee Benefits	48,755	147,776	196,531	35,772	32,671	68,443	264,974
Office	107,069	64,255	171,324	26,654	9,118	35,772	207,096
Payroll Taxes	32,892	99,694	132,586	24,132	22,041	46,173	178,759
Data and Telecomm	69,554	68,772	138,326	17,834	19,340	37,174	175,500
Outreach	10,311	7,140	17,451	0	81,310	81,310	98,761
Interest	0	0	0	79,642	0	79,642	79,642
Travel	17,341	2,975	20,316	0	50,977	50,977	71,293
Printing and Publications	688	17,808	18,496	0	52,548	52,548	71,044
Merchant Service Fees	0	15,399	15,399	4,032	22,333	26,365	41,764
Postage and Mailing	2,244	2,749	4,993	452	452	904	5,897
Royalties	0	3,936	3,936	0	0	0	3,936
<b>Total Functional Expenses</b>	<b>\$ 1,257,496</b>	<b>\$ 3,083,740</b>	<b>\$ 4,341,236</b>	<b>\$ 691,572</b>	<b>\$ 665,939</b>	<b>\$ 1,357,511</b>	<b>\$ 5,698,747</b>
			76%	12%	12%		100%

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

INSTITUTE OF NOETIC SCIENCES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 386,063	\$ 13,277
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	268,586	256,103
Amortization	52,812	13,203
Contribution -forgiveness of loan	(100,000)	(100,000)
Disposal of Equipment	315	(87,618)
Changes In Assets & Liabilities		
(Increase) Decrease In Accounts Receivable	111,335	(22,683)
(Increase) Decrease In Inventory	0	8,519
(Increase) Decrease In Prepaid Expense and Deposits	10,011	(19,666)
Increase (Decrease) In Accounts Payable	(215,025)	14,543
Increase (Decrease) In Accrued Interest on Notes	853	0
Increase (Decrease) In Accrued Vacation Payable	17,508	27,800
Increase (Decrease) In Deferred Revenue	(414,016)	373,793
Increase (Decrease) In Legal Trust Fund	15,000	(85,025)
Net Cash Provided by Operating Activities	133,442	392,246
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principle Draw on PPP Loan	645,350	0
Net Cash Provided by Financing Activities	645,350	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Intangible Assets	0	(158,431)
Purchase of Fixed Assets	(160,455)	(114,883)
Net Cash Used in Investing Activities	(160,455)	(273,314)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	618,337	118,932
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	900,544	781,612
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,518,881	\$ 900,544

Supplemental Disclosures of Cash Flow Information:

	Interest paid \$	75,522	\$	79,642
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INSTITUTE OF NOETIC SCIENCES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 and 2019

NOTE 1 – DESCRIPTION OF THE ORGANIZATION

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and 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, 2020, the accounts exceeded \$250,000 by \$1,263,227. Such funds were at risk in the event of insolvency of the banking institutions.

For purposes of the statements of cash flows, the Organization considers all gift cards available for current use to be cash equivalents.

See Independent Auditor’s Report.

INSTITUTE OF NOETIC SCIENCES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019 was \$268,586 and \$256,103 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.

Functional Expenditures

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort; depreciation and occupancy are allocated on a square footage basis.

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.

See Independent Auditor's Report.

INSTITUTE OF NOETIC SCIENCES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Sales Tax

Gross receipts are shown net of sales tax collected.

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, 2020 and 2019 were \$149,691 and \$132,813 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. Generally, the Organization's tax returns remain open for three years for examination by federal and state taxing authorities.

New Accounting Pronouncements

On July 1, 2019, the Organization adopted ASU-2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organizations' financial reporting.

See Independent Auditor's Report.

INSTITUTE OF NOETIC SCIENCES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 and 2019

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2020 and 2019:

Total financial assets	\$ 1,518,881	\$ 1,011,879
Less amounts restricted by donors for research and education expenditures	68,963	196,257
Less amounts restricted by donors for endowment	<u>287,774</u>	<u>277,774</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,162,144</u>	<u>\$ 537,848</u>

NOTE 4 – INVESTMENTS

For the years ended June 30, 2020 and 2019, the Organization did not hold any investments.

NOTE 5 – INTANGIBLE ASSETS

Intangible assets at June 30, 2020 and 2019 consist of website costs of \$158,431 less accumulated amortization of \$66,015 and \$13,203 for a net of \$ 92,416 and \$145,228 respectively. The Organization amortizes its website costs over 36 months.

NOTE 6 – FIXED ASSETS

Fixed assets at June 30, 2020 consist of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 4,800,000	\$ 0	\$ 4,800,000
Buildings and Improvements	5,486,704	3,981,197	1,505,507
Furniture and Equipment	663,029	498,791	164,238
Construction in Progress	624,037	0	624,037
Trucks and Automobiles	55,548	48,881	6,667
Artwork	3,800	0	3,800
	<u>\$ 11,633,118</u>	<u>\$ 4,528,869</u>	<u>\$ 7,104,249</u>

See Independent Auditor’s Report.

INSTITUTE OF NOETIC SCIENCES  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 and 2019

NOTE 7– NOTES AND LOANS PAYABLE

The Organization’s notes payable, secured by the land and buildings consist of the following:

	<u>2020</u>	<u>2019</u>
Note payable to a private lender, Interest of 5% due annually and principal due in full June 30, 2021	\$ 50,000	\$ 50,000
Note payable to a private lender, Interest of 5% due annually and principal due in full June 30, 2021	50,000	50,000
Note payable to Calvin LeHew (see Related Party Note-8), Interest of 5% due annually and principal due in full June 30, 2022	1,000,000	1,000,000
Note payable to Harriett Crosby (see Related Party Note-8), Interest of 5% due annually and principal due in full June 30, 2023	50,000	50,000
Notes payable to a private lender, Interest at 5% due annually and principal due in full June 30, 2023	200,000	200,000
Note payable to Claudia Welss (see Related Party Note-8), Interest at 5% due annually and principal due in full June 30, 2023	<u>30,000</u>	<u>130,000</u>
	\$1,380,000	\$1,480,000
Less: current portion	<u>(100,000)</u>	<u>0</u>
	<u>\$1,280,000</u>	<u>\$1,480,000</u>

Future scheduled maturities of loans payable are as follows:

Years ending June 30:	
2021	\$ 100,000
2022	1,000,000
2023	<u>280,000</u>
	<u>\$1,380,000</u>

It is the Organization’s intention to consider other financing means or maturity date extensions as these secured Notes become due.

The Organization’s loans payable consist of the following:

On May 5, 2020, the Organization received a Covid-19 Economic Injury Disaster Loan (EIDL) for \$10,000 from the U.S. Small Business Administration. This loan was paid in full on July 22, 2020.

On May 12, 2020, the Organization received a Paycheck Protection Program Loan (PPP) in the amount of \$635,350 from Harvest Small Business Finance, LLC. This loan carries interest at 1% annually. This loan has an initial deferment period stating that no payments are due for six months from the date of the first disbursement. Interest will accrue during the deferment period. Interest of \$854 has been accrued for

See Independent Auditor’s Report.

INSTITUTE OF NOETIC SCIENCES  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2020 and 2019

NOTE 7– NOTES AND LOANS PAYABLE (Continued)

the year ending June 30, 2020. Pursuant to the CARES Act, this loan or a portion thereof may be forgiven. It is the intent of the Organization to apply to the lender for loan forgiveness.

NOTE 8– RELATED PARTY TRANSACTIONS

In February 2019, the Organization entered into a scientific research consulting contract with Emerald Gate Charitable Trust, a 501(c)(3) exempt private foundation, for which board member David Dominik is a Trustee. The Organization received payments of \$398,425 in the fiscal year ended June 30, 2020 and \$250,000 in the fiscal year ended June 30, 2019.

As disclosed in Note-7, Calvin LeHew, a board member, loaned the Organization \$1,000,000 in August 2016 to settle two maturing loans. The loan carries an interest rate of 5% with interest and principal payable in full on June 30, 2022. The Organization paid Calvin LeHew interest of \$50,000 for the year ended June 30, 2020 and there was no unpaid accrued interest for the years ended June 30, 2020 and 2019. This loan is secured by the land and buildings of the Organization.

As disclosed in Note-7, Harriett Crosby, a board member, loaned the Organization \$50,000 in February 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, 2023. The Organization paid Harriet Crosby interest of \$2,500 for the year ended June 30, 2020 and there was no unpaid accrued interest for the years ended June 30, 2020 and 2019. This loan is secured by the land and buildings of the Organization.

As disclosed in Note-7, Claudia Welss, a board member, issued a loan to the Organization in June 2018 in the amount of \$230,000 for the purpose of operating funds. The loan carries an interest rate of 5% with interest and principal payable in full on June 30, 2023. Claudia Welss forgave \$100,000 of this loan in June 2019 and an additional \$100,000 was forgiven in June 2020. The Organization paid Claudia Welss interest of \$6,500 for the year ended June 30, 2020 and there was no unpaid accrued interest for the year ended June 30, 2020 and 2019. This loan is secured by the land and buildings of the Organization.

NOTE 9– NET ASSETS

Net assets with donor restrictions were as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Research	\$ 68,963	\$ 193,166
Winston Franklin Endowment Fund	287,774	277,774
Donor Advised Funds	0	3,091
	\$ 356,737	\$ 474,031

See Independent Auditor's Report.



INSTITUTE OF NOETIC SCIENCES  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2020 and 2019

NOTE 10 – WINSTON FRANKLIN ENDOWMENT FUND

The purpose of this fund is to allow an additional way for donors to contribute toward the long-term future of the Organization.

This donor-restricted endowment fund was established in November 2004 and allows funds to be withdrawn from the corpus of the gift each year and used by the Board of Directors and Chief Executive Officer in their sole discretion. Such withdrawals are limited to 5% of the total value of the fund on June 30th of each year.

The Organization has sole discretion as to how funds are invested and as of June 30, 2020 and 2019, the Winston Franklin Endowment Fund consisted of cash held in a high yield savings account.

In November 2011, the board of Directors of the Organization resolved to borrow \$200,000 from the Winston Franklin Endowment Fund for the benefit of the Organization’s general fund, with interest to be imputed at the rate of 5% annually; the Fund’s original donor approved this request and the loan remained outstanding at June 30, 2020 and 2019.

Fund balance June 30, 2019	\$ 277,774
Imputed interest	<u>10,000</u>
Fund balance, June 30, 2020	<u>\$ 287,774</u>

NOTE 11 – LEASE EXPENSE

The Organization paid \$101,403 and \$106,546 for on-site modular office space and off-site storage facilities for the year ended June 30, 2020 and 2019 respectively. The leases are on a month-to-month basis.

Additionally, the Organization entered into an operating lease agreement for two copiers. The lease expires in December 2022. Lease expense for years ended June 30, 2020 and 2019 was \$5,669 and \$6,130 respectively.

Future minimum lease payments are as follows:

Year ending June 30, 2021	\$ 6,130
2022	<u>3,065</u>
	<u>\$ 9,195</u>

NOTE 12– 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, 2020 and 2019 consist of the following:

	2020	2019
Sales	\$ 3,674	\$ 9,468
Cost of Goods Sold	<u>1,317</u>	<u>4,234</u>
Net Sales	<u>\$ 2,357</u>	<u>\$ 5,234</u>

See Independent Auditor’s Report.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating the options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. Future potential impacts may include disruptions or restrictions on employees' ability to work. The future effects of these issues are unknown.

The Organization has evaluated subsequent events through January 22, 2021 the date which the financial statements were available to be issued.