

INSTITUTE OF NOETIC SCIENCES
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2021 and 2020, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 15, 2022

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,126,102	\$ 1,518,881
Accounts Receivable	39,677	0
Unconditional Promises to Give	203,821	0
Prepaid Expenses and Deposits	193,448	64,771
Total Current Assets	1,563,048	1,583,652
FIXED ASSETS		
Fixed Assets	11,615,829	11,633,118
Less: Accumulated Depreciation	(4,680,649)	(4,528,869)
Net Fixed Assets	6,935,180	7,104,249
OTHER ASSETS		
Intangibles, net	39,604	92,416
Net Other Assets	39,604	92,416
TOTAL ASSETS	\$ 8,537,832	\$ 8,780,317
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 110,975	\$ 102,891
Accrued Interest	1,039	853
Accrued Vacations	168,866	149,691
Notes Payable	1,100,000	100,000
EIDL Payable	0	10,000
Legal Trust Fund	0	22,500
Deferred Revenue	144,512	430,478
Total Current Liabilities	1,525,392	816,413
LONG TERM LIABILITIES		
Notes Payable	250,000	1,280,000
PPP Loan Payable	357,597	635,350
Total Long Term Liabilities	607,597	1,915,350
TOTAL LIABILITIES	\$ 2,132,989	\$ 2,731,763
<u>NET ASSETS</u>		
Without donor restrictions	\$ 5,884,216	\$ 5,691,818
With donor restrictions	520,627	356,736
TOTAL NET ASSETS	\$ 6,404,843	\$ 6,048,554
TOTAL LIABILITIES AND NET ASSETS	\$ 8,537,832	\$ 8,780,317

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

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(with summarized financial information for the year ended June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>
SUPPORT AND REVENUES				
SUPPORT				
Contributions	\$ 2,562,084	\$ 244,081	\$ 2,806,165	\$ 3,302,279
REVENUES				
Facility Rentals	487,562		487,562	1,652,578
Program Fees	133,590		133,590	(59,913)
Revenue From Contracts	28,916		28,916	398,425
Interest and Dividends	154		154	710
Interfund Interest	(10,000)	10,000	0	0
Sales of Books, CDs and DVDs, Net	618		618	2,357
Royalties, Fees, & Other	744,199		744,199	59,476
Total Revenues	<u>1,385,039</u>	<u>10,000</u>	<u>1,395,039</u>	<u>2,053,633</u>
TOTAL SUPPORT AND REVENUES	3,947,123	254,081	4,201,204	5,355,912
EXPENSES				
PROGRAM SERVICES				
Research	764,208		764,208	976,163
Education	1,849,330		1,849,330	2,682,522
Total Program Services	<u>2,613,538</u>		<u>2,613,538</u>	<u>3,658,685</u>
SUPPORTING SERVICES				
Management and General	615,609		615,609	762,770
Fundraising	615,768		615,768	548,394
Total Supporting Services	<u>1,231,377</u>		<u>1,231,377</u>	<u>1,311,164</u>
TOTAL EXPENSES	<u>3,844,915</u>		<u>3,844,915</u>	<u>4,969,849</u>
Contributions Released from Restrictions	<u>90,190</u>	<u>(90,190)</u>	<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	192,398	163,891	356,289	386,063
NET ASSETS AT BEGINNING OF YEAR	<u>5,691,818</u>	<u>356,736</u>	<u>6,048,554</u>	<u>5,662,491</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,884,216</u>	<u>\$ 520,627</u>	<u>\$ 6,404,843</u>	<u>\$ 6,048,554</u>

INSTITUTE OF NOETIC SCIENCES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenditures
	Research	Education	Total Program Services	Mgmt & General	Fundraising	Total Supporting Services	
Salaries	\$ 464,210	\$ 773,869	\$ 1,238,079	\$ 259,258	\$ 362,477	\$ 621,735	\$ 1,859,814
Occupancy	26,050	323,543	349,593	15,479	12,458	27,937	377,530
Professional Fees	72,369	63,142	135,511	137,844	80,000	217,844	353,355
Depreciation & Amortization	39,561	250,110	289,671	16,236	14,099	30,335	320,006
Employee Benefits	47,558	79,282	126,840	26,561	37,135	63,696	190,536
Office	23,762	97,293	121,055	35,508	4,439	39,947	161,002
Data & Telecomm	51,129	69,441	120,570	12,138	21,420	33,558	154,128
Payroll Taxes	33,629	56,062	89,691	18,782	26,259	45,041	134,732
Retreats & Events	0	107,744	107,744	3,366	426	3,792	111,536
Interest	0	0	0	77,879	0	77,879	77,879
Printing & Publications	4,631	18,368	22,999	0	17,857	17,857	40,856
Merchant Service Fees	885	4,580	5,465	10,259	13,222	23,481	28,946
Outreach	45	1,890	1,935	2,222	21,514	23,736	25,671
Postage & Mailing	141	3,547	3,688	77	3,192	3,269	6,957
Travel	238	0	238	0	1,270	1,270	1,508
Royalties	0	459	459	0	0	0	459
Total Functional Expenses	\$ 764,208	\$ 1,849,330	\$ 2,613,538	\$ 615,609	\$ 615,768	\$ 1,231,377	\$ 3,844,915
			68%	16%	16%		100%

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
Total Functional Expenses	\$ 976,163	\$ 2,682,522	\$ 3,658,685	\$ 762,770	\$ 548,394	\$ 1,311,164	\$ 4,969,849
			74%	15%	11%		100%

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

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 356,289	\$ 386,063
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	267,194	268,586
Amortization	52,812	52,812
Contribution - Forgiveness of Loan	(30,000)	(100,000)
Other Income - Forgiveness of PPP Loan #1	(635,350)	0
Disposal of Equipment	0	315
Gain on Disposal of Vehicles	(2,792)	0
Changes In Assets & Liabilities		
(Increase) Decrease In Accounts Receivable	(39,677)	111,335
(Increase) Decrease In Prepaid Expense and Deposits	(128,677)	10,011
(Increase) Decrease In Unconditional Promises to Give	(203,821)	0
Increase (Decrease) In Accounts Payable	8,084	(215,025)
Increase (Decrease) In Accrued Interest on Notes	186	853
Increase (Decrease) In Accrued Vacation Payable	19,175	17,508
Increase (Decrease) In Deferred Revenue	(285,966)	(414,016)
Increase (Decrease) In Legal Trust Fund	(22,500)	15,000
Net Cash (Used by) Provided by Operating Activities	(645,043)	133,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(104,625)	(160,455)
Proceeds from Disposal of Vehicles, Including Insurance Proceeds	9,292	0
Net Cash Used by Investing Activities	(95,333)	(160,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle Draw on PPP Loan	0	645,350
Principle Draw on PPP Loan #2	357,597	0
Payment on EIDL	(10,000)	0
Net Cash Provided by Financing Activities	347,597	645,350
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(392,779)	618,337
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	1,518,881	900,544
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,126,102</u>	<u>\$ 1,518,881</u>

Supplemental Disclosures of Cash Flow Information:

	Interest paid \$	70,330	\$	75,522
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INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 and 2020

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, 2021, the accounts exceeded \$250,000 by \$875,809. Such funds were at risk in the event of insolvency of the banking institutions.

See Independent Auditor’s Report.

INSTITUTE OF NOETIC SCIENCES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2021 and 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position as of June 30:

	2021	2020
Cash and cash equivalents	\$ 605,475	\$ 1,162,145
Cash and cash equivalents restricted for research and education	222,853	68,962
Cash and cash equivalents restricted for endowment	297,774	287,774
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 1,126,102	\$ 1,518,881

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. The Organization has a capitalization threshold of \$1,000. 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, 2021 and 2020 was \$267,194 and \$268,586 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.

See Independent Auditor's Report.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 and 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Receivables are considered past due after 30 days.

Receivables from contracts with customers are reported as accounts receivable in the accompanying statements of financial position. Accounts receivable from contracts for the year ended June 30, 2021 was \$7,500 and there were no accounts receivable from contracts for year ended June 30, 2020. Contract liabilities are reported as deferred revenue in the statements of financial position. Deferred revenue from contracts for the year ended June 30, 2021 was \$6,437. There was no deferred revenue for the year ended June 30, 2020.

Promises to Give

Contributions are recognized when the donor makes a promise to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 statements 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 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.

See Independent Auditor's Report.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 and 2020

NOTE 2 – 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, 2021 and 2020 were \$168,866 and \$149,691 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncements

As of July 1, 2020, the Organization adopted ASU-2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statements of cash flows. The adoption of ASU-2016-18 resulted in the reclassification of certain items related to restricted cash in the cash flows statement for the years ended June 30, 2021 and 2020.

As of July 1, 2020, the Organization adopted ASU-2014-09, Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The adoption of ASU-2014-09 resulted in the reclassification of certain items related to revenue in the statement of activities for the years ended June 30, 2021 and 2020.

See Independent Auditor's Report.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 and 2020

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 1,369,600	\$ 1,518,881
Less amounts restricted by donors for research and education expenditures	222,853	68,962
Less amounts restricted by donors for endowment	<u>297,774</u>	<u>287,774</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 848,973</u>	<u>\$ 1,162,145</u>

NOTE 4 – INVESTMENTS

For the years ended June 30, 2021 and 2020, the Organization did not hold any investments.

NOTE 5 – INTANGIBLE ASSETS

Intangible assets at June 30, 2021 and 2020 consist of website costs of \$158,431 less accumulated amortization of \$118,827 and \$66,015 for a net of \$39,604 and \$92,416 respectively. The Organization amortizes its website costs over 36 months.

NOTE 6 – FIXED ASSETS

Fixed assets at June 30, 2021 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	5,468,195	4,118,233	1,349,962
Furniture and Equipment	649,289	515,164	134,125
Construction in Progress	624,037	0	624,037
Trucks and Automobiles	70,508	47,252	23,256
Artwork	3,800	0	3,800
	<u>\$ 11,615,829</u>	<u>\$ 4,680,649</u>	<u>\$ 6,935,180</u>

See Independent Auditor’s Report.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 and 2020

NOTE 7 – NOTES AND LOANS PAYABLE

The Organization’s notes payable, secured by the land and buildings (see Evaluation of Subsequent Events Note -14) consist of the following:

	<u>2021</u>	<u>2020</u>
Note payable to a private lender, Interest of 5% due annually and principal due in full June 30, 2022	\$ 50,000	\$ 50,000
Note payable to a private lender, Interest of 5% due annually and principal due in full June 30, 2022	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>0</u>	<u>30,000</u>
	\$1,350,000	\$1,380,000
Less: current portion	<u>(1,100,000)</u>	<u>(100,000)</u>
	<u>\$ 250,000</u>	<u>\$1,280,000</u>

Future scheduled maturities of notes payable are as follows:

Years ending June 30:	
2022	\$1,100,000
2023	<u>250,000</u>
	<u>\$1,350,000</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 consists 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. No interest was accrued or paid on this loan.

See Independent Auditor’s Report.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 and 2020

NOTE 7 – NOTES AND LOANS PAYABLE (Continued)

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 carried interest at 1% annually. Pursuant to the CARES Act, the Organization applied for and was granted forgiveness of principal and accrued interest of \$6,510 on May 21, 2021.

On March 24, 2021 the Organization received a second Paycheck Protection Program loan (PPP) in the amount of \$357,597 from Harvest Small Business Finance, LLC. This loan carries interest at 1% annually and has an initial deferment period stating that no payments are due for six months from the date of the first disbursement, with interest accruing during the deferment period. Interest of \$1,039 has been accrued for the year ending June 30, 2021. Pursuant to the CARES Act, this loan or a portion thereof may be forgiven. The Organization has applied to the lender for forgiveness of principal and interest.

NOTE 8 – RELATED PARTY TRANSACTIONS

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, 2021 and there was no unpaid accrued interest for the years ended June 30, 2021 and 2020. This loan was secured by the land and buildings of the Organization.

On December 1, 2021, this loan from Calvin LeHew was paid in full along with accrued interest of \$21,096. (See Evaluation of Subsequent Events Note -14.)

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, 2021 and there was no unpaid accrued interest for the years ended June 30, 2021 and 2020. This loan was secured by the land and buildings of the Organization.

On December 1, 2021, this loan from Harriett Crosby was paid in full along with accrued interest of \$1,055. (See Evaluation of Subsequent Events Note -14.)

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 2020 and an additional \$30,000 was forgiven in June 2021. The Organization paid Claudia Welss interest of \$1,438 for the year ended June 30, 2021 and there was no unpaid accrued interest for the years ended June 30, 2021 and 2020.

In February 2019, the Organization entered into scientific research consulting contracts 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 \$21,416 in the fiscal year ended June 30, 2021 and \$398,425 in the fiscal year ended June 30, 2020 from Emerald Gate Charitable Trust.

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NOTE 9 – NET ASSETS

Net assets with donor restrictions were as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Research	\$ 142,853	\$ 68,962
Education	80,000	0
Winston Franklin Endowment Fund	297,774	287,774
	\$ 520,627	\$ 356,736

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, 2021 and 2020, 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, 2021 and 2020.

Fund balance June 30, 2020	\$ 287,774
Imputed interest	10,000
Fund balance, June 30, 2021	\$ 297,774

NOTE 11 – LEASES

The Organization paid \$86,409 and \$101,403 for on-site modular offices, guest lodging, and off-site storage facilities for the year ended June 30, 2021 and 2020 respectively. The leases are on a month-to-month basis.

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NOTE 11 – LEASES (Continued)

Additionally, the Organization leases equipment under various operating leases expiring at various dates through 2023. Lease expense for years ended June 30, 2021 and 2020 was \$8,637 and \$5,669 respectively.

Future minimum lease payments are as follows:

Year ending June 30, 2022	\$5,155
Year ending June 30, 2023	<u>1,743</u>
	<u>\$6,898</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, 2021 and 2020 consist of the following:

	2021	2020
Sales	\$ 951	\$ 3,674
Cost of Goods Sold	<u>333</u>	<u>1,317</u>
Net Sales	<u>\$ 618</u>	<u>\$ 2,357</u>

NOTE 13 – REVENUE FROM CONTRACTS

The Organization has scientific research consulting contracts. Revenue from these contracts is recognized when the performance obligation is satisfied or partially satisfied. The total contracts as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Contracts entered into	\$ 96,385	\$398,425
Recognized as revenue	28,916	398,425
Balance of Contract	<u>\$ 67,469</u>	<u>\$ 0</u>

See Independent Auditor's Report.

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NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

On December 1, 2021, the Organization sold the property located at 101 San Antonio Road, Petaluma, California, thus discontinuing facility rentals at this location. The notes payable in Note -7 were secured by this property and have been paid in full with proceeds of the sale. The estimate of the financial effects of this sale cannot be made as of January 15, 2022, the date which the financial statements were available to be issued.

The Organization has evaluated subsequent events through January 15, 2022 the date which the financial statements were available to be issued.

NOTE 15 – COVID-19

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.