

INSTITUTE OF NOETIC SCIENCES
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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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, 2015 and 2014 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, 2015 and 2014, 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.

HOLDEN & COMPANY LLP



Thomas J. Holden
Certified Public Accountant

San Rafael, California
February 19, 2015

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015				2014
	<u>ASSETS</u>				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
CURRENT ASSETS					
Cash	\$ 672,560	\$ 492,412	\$ 37,774	\$ 1,202,746	\$ 676,361
Accounts Receivable	187,166			187,166	176,961
Interfund Receivable (Payable)	(178,769)	(21,231)	200,000	0	0
Inventory	28,948			28,948	25,956
Prepaid Expenses and Deposits	158,779			158,779	60,409
Total Current Assets	<u>868,684</u>	<u>471,181</u>	<u>237,774</u>	<u>1,577,639</u>	<u>939,687</u>
FIXED ASSETS					
Fixed Assets	11,256,829			11,256,829	11,156,681
Less: Accumulated Depreciation	<u>(3,645,456)</u>			<u>(3,645,456)</u>	<u>(3,423,116)</u>
Net Fixed Assets	<u>7,611,373</u>			<u>7,611,373</u>	<u>7,733,565</u>
TOTAL ASSETS	<u>\$ 8,480,057</u>	<u>\$ 471,181</u>	<u>\$ 237,774</u>	<u>\$ 9,189,012</u>	<u>\$ 8,673,252</u>
<u>LIABILITIES & NET ASSETS</u>					
CURRENT LIABILITIES					
Accounts Payable	\$ 181,164			\$ 181,164	\$ 203,249
Accrued Interest on Notes	23,055			23,055	23,055
Accrued Vacations	107,627			107,627	114,956
Notes Payable	1,640,000			1,640,000	1,640,000
Deferred Revenue	569,624			569,624	150,100
Total Current Liabilities	<u>2,521,470</u>			<u>2,521,470</u>	<u>2,131,360</u>
TOTAL LIABILITIES	<u>\$ 2,521,470</u>			<u>\$ 2,521,470</u>	<u>\$ 2,131,360</u>
<u>NET ASSETS</u>					
Unrestricted Net Assets	\$ 5,958,587			\$ 5,958,587	\$ 6,020,122
Temporarily Restricted		\$ 471,181		471,181	293,996
Permanently Restricted			\$ 237,774	237,774	227,774
TOTAL NET ASSETS	<u>5,958,587</u>	<u>471,181</u>	<u>237,774</u>	<u>\$ 6,667,542</u>	<u>\$ 6,541,892</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,480,057</u>	<u>\$ 471,181</u>	<u>\$ 237,774</u>	<u>\$ 9,189,012</u>	<u>\$ 8,673,252</u>

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
REVENUES, GAINS, AND OTHER SUPPORT					
SUPPORT					
Contributions	\$ 1,349,742	\$ 894,210		\$ 2,243,952	\$ 2,668,993
REVENUES					
Facility Rentals	2,292,637			2,292,637	2,177,097
Conferences and Events	0			0	9,309
Interest and Dividends	548			548	430
Interfund Interest	(10,000)		\$ 10,000	0	0
Sales of Books, CDs and DVDs, Net	117,317			117,317	84,227
Royalties, Fees, & Other	138,882			138,882	153,783
Total Revenues	<u>2,539,384</u>	<u>0</u>	<u>10,000</u>	<u>2,549,384</u>	<u>2,424,846</u>
TOTAL SUPPORT AND REVENUES	3,889,126	894,210	10,000	4,793,336	5,093,839
EXPENSES					
PROGRAM SERVICES					
Research	575,641			575,641	675,127
Education	2,960,649			2,960,649	2,939,340
Eco Design	0			0	30,401
Total Program Services	<u>3,536,290</u>			<u>3,536,290</u>	<u>3,644,868</u>
SUPPORTING SERVICES					
Management and General	655,796			655,796	583,215
Fundraising	475,600			475,600	624,820
Total Supporting Services	<u>1,131,396</u>			<u>1,131,396</u>	<u>1,208,035</u>
TOTAL EXPENSES	<u>4,667,686</u>			<u>4,667,686</u>	<u>4,852,903</u>
Contributions Released from Restrictions	<u>717,025</u>	<u>(717,025)</u>		<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	(61,535)	177,185	10,000	125,650	240,936
NET ASSETS AT BEGINNING OF YEAR	<u>6,020,122</u>	<u>293,996</u>	<u>227,774</u>	<u>6,541,892</u>	<u>6,300,956</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,958,587</u>	<u>\$ 471,181</u>	<u>\$ 237,774</u>	<u>\$ 6,667,542</u>	<u>\$ 6,541,892</u>

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

INSTITUTE OF NOETIC SCIENCES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenditures
	Research	Education	Total Program Services	Mgmt & General	Fundraising	Total Supporting Services	
Salaries	281,799	1,247,968	\$ 1,529,767	281,799	201,285	\$ 483,084	\$ 2,012,851
Occupancy	25,240	531,669	556,909	20,192	5,048	25,240	582,149
Retreats and Events	16,451	386,222	402,673	27,567	10,360	37,927	440,600
Professional Fees	54,627	178,842	233,469	76,916	47,783	124,699	358,168
Employee Benefits	34,080	150,925	185,005	34,080	24,343	58,423	243,428
Depreciation	11,726	211,072	222,798	9,381	2,345	11,726	234,524
Payroll Taxes	20,771	91,986	112,757	20,771	14,837	35,608	148,365
Interest	0	0	0	128,404	0	128,404	128,404
Office	24,749	54,857	79,606	32,433	4,251	36,684	116,290
Data and Telecomm	44,148	43,998	88,146	11,047	13,358	24,405	112,551
Printing and Publications	542	7,262	7,804	58	66,311	66,369	74,173
Grants and Honoraria	58,980	3,000	61,980	500	0	500	62,480
Merchant Service Fees	0	30,150	30,150	6,393	24,711	31,104	61,254
Outreach	0	7,472	7,472	0	26,579	26,579	34,051
Travel	2,325	4,896	7,221	5,930	15,462	21,392	28,613
Postage and Mailing	203	213	416	325	18,927	19,252	19,668
Royalties	0	10,117	10,117	0	0	0	10,117
Total Functional Expenses	\$ 575,641	\$ 2,960,649	\$ 3,536,290	\$ 655,796	\$ 475,600	\$ 1,131,396	\$ 4,667,686
			76%	14%	10%		100%

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

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 125,650	\$ 240,936
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	234,524	262,139
Amortization	0	17,434
Changes In Assets & Liabilities		
(Increase) Decrease In Accounts Receivable	(10,205)	(45,992)
(Increase) Decrease In Inventory	(2,992)	6,919
(Increase) Decrease In Prepaid Expense and Deposits	(98,370)	11,276
Increase (Decrease) In Accounts Payable	(22,085)	(17,887)
Increase (Decrease) In Accrued Interest on Notes	0	13,247
Increase (Decrease) In Accrued Vacation Payable	(7,329)	(19,863)
Increase (Decrease) In Deferred Revenue	419,524	(243,578)
Net Cash Provided (Used) in Operating Activities	638,717	224,631
CASH FLOWS USED IN FINANCING ACTIVITIES		
Issuance of Promissory Notes	0	240,000
Net Cash Provided (Used) in Financing Activities	0	240,000
CASH FLOWS PROVIDED (USED) IN INVESTING ACTIVITIES		
Disposal of Equipment	(12,184)	0
Purchase of Fixed Assets	(100,148)	(260,343)
Net Cash Provided (Used) in Investing Activities	(112,332)	(260,343)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	526,385	204,288
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	676,361	472,073
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,202,746	\$ 676,361

Supplemental Disclosures of Cash Flow Information:

	Interest paid \$ 128,404	\$ 97,871
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INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 and 2014

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, 2015 and 2014, was \$234,524 and \$262,139 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, 2015 and 2014

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. As to permanently restricted assets, the donor-imposed restriction stipulates that such contributions be maintained permanently, but the Organization is allowed to use the income derived from such assets or fixed percentage 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, 2015 and 2014

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, 2015 and 2014, were \$107,627 and \$114,956, 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, 2012, 2013 and 2014, 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, 2015 the accounts exceeded \$250,000 by \$952,746. 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, 2015 and 2014

NOTE 3 – INVENTORIES

Inventories at June 30, 2015 and 2014, consist of the following:

	2015		
	Cost	Market	Lower of Cost or Market
Premium Merchandise	\$ 8,036	\$ 28,152	\$ 8,036
Retreat Center Bookstore	15,325	40,871	15,325
Education Products Inventory	5,587	48,175	5,587
	<u>\$ 28,948</u>	<u>\$ 117,198</u>	<u>\$ 28,948</u>
	2014		
	Cost	Market	Lower of Cost or Market
Premium Merchandise	\$ 6,191	\$ 13,275	\$ 6,191
Retreat Center Bookstore	12,210	42,275	12,210
Education Products Inventory	7,555	65,718	7,555
	<u>\$ 25,956</u>	<u>\$ 121,268</u>	<u>\$ 25,956</u>

NOTE 4 – FIXED ASSETS

Fixed assets at June 30, 2015 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 4,800,000	\$ 0	\$ 4,800,000
Buildings and Improvements	5,304,514	3,021,456	2,283,058
Furniture and Equipment	610,672	579,212	31,460
Construction in Progress	492,295	0	492,295
Trucks and Automobiles	45,548	44,788	760
Artwork	3,800	0	3,800
	<u>\$ 11,256,829</u>	<u>\$ 3,645,456</u>	<u>\$ 7,611,373</u>

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 and 2014

NOTE 5- NOTES PAYABLE

As of June 30, 2015, the Organization has various notes payable of \$1,640,000. All of the notes are due June 30, 2016 and have an interest rate of 5%.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization has 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 is a Revolving Line of Credit available up to \$500,000. The other is an Infrastructure Line of Credit, also available up to \$500,000 and with an available draw period ended July 31, 2011. Both loans are 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.

Principal, points, and interest are payable in full June 30, 2016 and both loans are secured by the land and buildings of the Organization.

Both the Revolving Line of Credit and the Infrastructure Line of Credit principal balances were \$500,000 each at June 30, 2015 and 2014 and the Organization paid Betsy Gordon interest of \$80,000 for the year ended June 30, 2015. There was no unpaid accrued interest for the years ended June 30, 2015 and 2014.

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, 2016. The lender forgave interest of \$2,500 for the year ended June 30, 2015 and there was no unpaid accrued interest for the years ended June 30, 2015 and 2014. This loan is secured by the land and buildings of the Organization.

Edgar Mitchell, a board member, loaned the Organization \$100,000 on November 21, 2012 for the purpose of real property improvements. The loan carried an interest rate of 5% with interest and principal payable in full on June 30, 2014. Edgar Mitchell converted this note, and accrued interest of \$3,274, to a gift to the Organization on July 18, 2013. This loan was 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, 2016. The Organization paid Harriet Crosby interest of \$2,500 for the year ended June 30, 2015 and there was no unpaid accrued interest for the years ended June 30, 2015 and 2014. This loan is secured by the land and buildings of the Organization.

The Organization paid \$8,275 in legal fees to Calhoun Pilgrim LLP during the year ending June 30, 2015. Brian Calhoun was the primary service provider and is the son of Mark Calhoun, a board member.

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, 2015 and 2014

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, 2015 net assets released from restrictions was \$717,025.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 consist of contributions received, which are restricted for the following purposes:

	2015	2014
Research	\$ 417,186	\$ 248,223
Donor Advised Funds	53,995	45,773
	\$ 471,181	\$ 293,996

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2015 and 2014 consist of cash and an interfund receivable in the amount of \$237,774 and \$227,774 respectively.

NOTE 11 – LEASE INCOME

The Organization leases office space to other organizations that closely align with their charitable goals. Lease income was \$86,250 and \$ 92,165 for years ended June 30, 2015 and 2014 respectively. All leases are month to month at June 30, 2015. The leased fixed assets as of June 30, 2015 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Buildings and Improvements	\$ 742,632	\$ 423,004	\$ 319,628

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 and 2014

NOTE 12 – LEASE EXPENSE

The Organization paid \$210,150 and \$213,177 for operating leases for the year ended June 30, 2015 and 2014 respectively. The Organization has the following minimum lease payments for the remaining fiscal year for office space:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2016	\$ 119,940

NOTE 13 – COST OF GOODS SOLD

Sales of books, CDs & DVDs are shown net of cost of goods sold on the statement of activities. In the year ended June 30, 2011 the Organization started to sell digital copies of material through their online store, which has no inventory cost. Sales and cost of goods sold at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Sales	\$ 156,114	\$ 122,889
Cost of Goods Sold	38,797	38,662
Net Sales	<u>\$ 117,317</u>	<u>\$ 84,227</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 February 19, 2016 the date which the financial statements were available to be issued.