

INSTITUTE OF NOETIC SCIENCES
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-12

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, 2016 and 2015 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, 2016 and 2015, 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
January 4, 2017

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016			2015	
	<u>ASSETS</u>				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
CURRENT ASSETS					
Cash	\$ 394,847	\$ 594,573	\$ 47,774	\$ 1,037,194	\$ 1,202,746
Accounts Receivable	156,889			156,889	187,166
Interfund Receivable (Payable)	(113,231)	(86,769)	200,000	0	0
Inventory	27,626			27,626	28,948
Prepaid Expenses and Deposits	73,930			73,930	158,779
Total Current Assets	540,061	507,804	247,774	1,295,639	1,577,639
FIXED ASSETS					
Fixed Assets	11,097,900			11,097,900	11,256,829
Less: Accumulated Depreciation	(3,575,931)			(3,575,931)	(3,645,456)
Net Fixed Assets	7,521,969			7,521,969	7,611,373
TOTAL ASSETS	\$ 8,062,030	\$ 507,804	\$ 247,774	\$ 8,817,608	\$ 9,189,012
<u>LIABILITIES & NET ASSETS</u>					
CURRENT LIABILITIES					
Accounts Payable	\$ 116,579			\$ 116,579	\$ 181,164
Accrued Interest on Notes	28,408			28,408	23,055
Accrued Vacations	91,741			91,741	107,627
Notes Payable	2,080,000			2,080,000	1,640,000
Deferred Revenue	380,935			380,935	569,624
Total Current Liabilities	2,697,663			2,697,663	2,521,470
TOTAL LIABILITIES	\$ 2,697,663			\$ 2,697,663	\$ 2,521,470
<u>NET ASSETS</u>					
Unrestricted Net Assets	\$ 5,364,367			\$ 5,364,367	\$ 5,958,587
Temporarily Restricted		\$ 507,804		507,804	471,181
Permanently Restricted			\$ 247,774	247,774	237,774
TOTAL NET ASSETS	5,364,367	507,804	247,774	\$ 6,119,945	\$ 6,667,542
TOTAL LIABILITIES AND NET ASSETS	\$ 8,062,030	\$ 507,804	\$ 247,774	\$ 8,817,608	\$ 9,189,012

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
REVENUES, GAINS, AND OTHER SUPPORT					
SUPPORT					
Contributions	\$ 1,037,275	\$ 666,089		\$ 1,703,364	\$ 2,243,952
REVENUES					
Facility Rentals	2,329,236			2,329,236	2,292,637
Conferences and Events	(23,913)			(23,913)	0
Interest and Dividends	504			504	548
Interfund Interest	(10,000)		\$ 10,000	0	0
Sales of Books, CDs and DVDs, Net	80,246			80,246	117,317
Royalties, Fees, & Other	120,614	(4,073)		116,541	138,882
Total Revenues	<u>2,496,687</u>	<u>(4,073)</u>	<u>10,000</u>	<u>2,502,614</u>	<u>2,549,384</u>
TOTAL SUPPORT AND REVENUES	3,533,962	662,016	10,000	4,205,978	4,793,336
EXPENSES					
PROGRAM SERVICES					
Research	663,728			663,728	575,641
Education	2,958,864			2,958,864	2,960,649
Total Program Services	<u>3,622,592</u>			<u>3,622,592</u>	<u>3,536,290</u>
SUPPORTING SERVICES					
Management and General	688,602			688,602	655,796
Fundraising	442,381			442,381	475,600
Total Supporting Services	<u>1,130,983</u>			<u>1,130,983</u>	<u>1,131,396</u>
TOTAL EXPENSES	<u>4,753,575</u>			<u>4,753,575</u>	<u>4,667,686</u>
Contributions Released from Restrictions	<u>625,393</u>	<u>(625,393)</u>		<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	(594,220)	36,623	10,000	(547,597)	125,650
NET ASSETS AT BEGINNING 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>
NET ASSETS AT END OF YEAR	<u>\$ 5,364,367</u>	<u>\$ 507,804</u>	<u>\$ 247,774</u>	<u>\$ 6,119,945</u>	<u>\$ 6,667,542</u>

INSTITUTE OF NOETIC SCIENCES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			
	Research	Education	Total Program Services	Mgmt & General	Fundraising	Total Supporting Services	Total Expenditures
Salaries	\$ 282,452	\$ 1,295,580	\$ 1,578,032	\$ 283,068	\$ 193,094	\$ 476,162	\$ 2,054,194
Occupancy	23,957	524,432	548,389	19,165	4,791	23,956	572,345
Retreats and Events	11,699	397,142	408,841	35,708	34,506	70,214	479,055
Professional Fees	170,726	98,086	268,812	78,835	83,981	162,816	431,628
Employee Benefits	37,443	171,748	209,191	37,525	25,597	63,122	272,313
Depreciation	12,693	228,474	241,167	10,154	2,539	12,693	253,860
Payroll Taxes	20,811	95,459	116,270	20,857	14,227	35,084	151,354
Interest	0	0	0	135,724	0	135,724	135,724
Office	27,716	55,749	83,465	31,675	6,085	37,760	121,225
Data and Telecomm	50,729	43,286	94,015	10,368	10,367	20,735	114,750
Merchant Service Fees	769	30,343	31,112	6,108	16,783	22,891	54,003
Travel	20,477	3,146	23,623	9,866	9,232	19,098	42,721
Printing and Publications	1,107	0	1,107	7,413	26,700	34,113	35,220
Postage and Mailing	649	282	931	2,136	12,242	14,378	15,309
Royalties	0	8,755	8,755	0	0	0	8,755
Outreach	0	6,382	6,382	0	2,237	2,237	8,619
Grants and Honoraria	2,500	0	2,500	0	0	0	2,500
Total Functional Expenses	\$ 663,728	\$ 2,958,864	\$ 3,622,592	\$ 688,602	\$ 442,381	\$ 1,130,983	\$ 4,753,575
			76%	15%	9%		100%

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

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (547,597)	\$ 125,650
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	253,860	234,524
Changes In Assets & Liabilities		
(Increase) Decrease In Accounts Receivable	30,277	(10,205)
(Increase) Decrease In Inventory	1,322	(2,992)
(Increase) Decrease In Prepaid Expense and Deposits	84,849	(98,370)
Increase (Decrease) In Accounts Payable	(64,585)	(22,085)
Increase (Decrease) In Accrued Interest on Notes	5,353	0
Increase (Decrease) In Accrued Vacation Payable	(15,886)	(7,329)
Increase (Decrease) In Deferred Revenue	(188,689)	419,524
Net Cash Provided (Used) in Operating Activities	(441,096)	638,717
CASH FLOWS USED IN FINANCING ACTIVITIES		
Issuance of Promissory Notes	440,000	0
Net Cash Provided (Used) in Financing Activities	440,000	0
CASH FLOWS PROVIDED (USED) IN INVESTING ACTIVITIES		
Disposal of Equipment	(323,385)	(12,184)
Purchase of Fixed Assets	158,929	(100,148)
Net Cash Provided (Used) in Investing Activities	(164,456)	(112,332)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(165,552)	526,385
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,202,746	676,361
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,037,194	\$ 1,202,746

Supplemental Disclosures of Cash Flow Information:

Interest paid \$ 107,316 \$ 128,404

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

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, 2016 and 2015, was \$253,860 and \$234,524 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, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015, were \$91,741 and \$107,627 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, 2013, 2014 and 2015, 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, 2016 the accounts exceeded \$250,000 by \$787,194. 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, 2016 and 2015

NOTE 3 – INVENTORIES

Inventories at June 30, 2016 and 2015, consist of the following:

	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
	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
	\$ 28,948	\$ 117,198	\$ 28,948

NOTE 4 – FIXED ASSETS

Fixed assets at June 30, 2016 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 4,800,000	\$ 0	\$ 4,800,000
Buildings and Improvements	5,239,274	3,084,300	2,154,974
Furniture and Equipment	496,743	446,363	50,380
Construction in Progress	512,535	0	512,535
Trucks and Automobiles	45,548	45,268	280
Artwork	3,800	0	3,800
	\$ 11,097,900	\$ 3,575,931	\$ 7,521,969

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

NOTE 5- NOTES PAYABLE

As of June 30, 2016, the Organization has various notes payable of \$2,080,000. All of the notes are due June 30, 2017 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.

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. 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, 2017. The Organization paid Monica Pal interest of \$2,500 for the year ended June 30, 2016 and there was no unpaid accrued interest for the years ended June 30, 2016 and 2015. 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, 2017. The Organization paid Harriet Crosby interest of \$2,500 for the year ended June 30, 2016 and there was no unpaid accrued interest for the years ended June 30, 2016 and 2015. 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, 2017. At June 30, 2016 the unpaid accrued interest on this loan was \$7,732. 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, 2016 and 2015

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, 2016 net assets released from restrictions was \$625,393.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 consist of contributions received, which are restricted for the following purposes:

	2016	2015
Research	\$ 475,480	\$ 417,186
Donor Advised Funds	32,324	53,995
	\$ 507,804	\$ 471,181

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2016 and 2015 consist of cash and an interfund receivable in the amount of \$247,774 and \$237,774 respectively.

NOTE 11 – LEASE INCOME

The Organization leases office space to other organizations that closely align with their charitable goals. Lease income was \$77,638 and \$ 86,250 for years ended June 30, 2016 and 2015 respectively. All leases are month to month at June 30, 2016. The leased fixed assets as of June 30, 2016 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, 2016 and 2015

NOTE 12 – LEASE EXPENSE

The Organization paid \$212,120 and \$210,150 for operating leases for the year ended June 30, 2016 and 2015 respectively. The Organization has the following minimum lease payments for the remaining three years for office space:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2017	\$ 119,940
June 30, 2018	122,340
June 30, 2019	124,788

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, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Sales	\$ 113,160	\$ 156,114
Cost of Goods Sold	32,914	38,797
Net Sales	<u>\$ 80,246</u>	<u>\$ 117,317</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 January 4, 2017 the date which the financial statements were available to be issued.