

INSTITUTE OF NOETIC SCIENCES
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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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, 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, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HAC Certified Public Accountants Inc.



Thomas J. Holden
Certified Public Accountant

San Rafael, California
February 13, 2020

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 900,544	\$ 781,612
Accounts Receivable	111,335	88,652
Inventory	0	8,519
Prepaid Expenses and Deposits	74,782	55,116
Total Current Assets	1,086,661	933,899
FIXED ASSETS		
Fixed Assets	11,488,823	11,373,940
Less: Accumulated Depreciation	(4,276,128)	(4,107,643)
Net Fixed Assets	7,212,695	7,266,297
OTHER ASSETS		
Intangibles, net	145,228	0
Net Other Assets	145,228	0
TOTAL ASSETS	\$ 8,444,584	\$ 8,200,196
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 317,916	\$ 303,373
Accrued Vacations	132,183	104,383
Notes Payable	0	350,000
Legal Trust Fund	7,500	92,525
Deferred Revenue	844,494	470,701
Total Current Liabilities	1,302,093	1,320,982
LONG TERM LIABILITIES		
Notes Payable	1,480,000	1,230,000
Total Long Term Liabilities	1,480,000	1,230,000
TOTAL LIABILITIES	\$ 2,782,093	\$ 2,550,982
<u>NET ASSETS</u>		
Without donor restrictions	\$ 5,188,460	\$ 5,055,896
With donor restrictions	474,031	593,318
TOTAL NET ASSETS	\$ 5,662,491	\$ 5,649,214
TOTAL LIABILITIES AND NET ASSETS	\$ 8,444,584	\$ 8,200,196

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

INSTITUTE OF NOETIC SCIENCES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>	<u>Total 2018</u>
REVENUES, GAINS, AND OTHER SUPPORT				
SUPPORT				
Contributions	\$ 2,004,301	\$ 580,045	\$ 2,584,346	\$ 2,802,595
REVENUES				
Facility Rentals	2,630,986		2,630,986	2,595,452
Program Fees	344,179		344,179	(4,424)
Interest and Dividends	866		866	1,012
Interfund Interest	(10,000)	10,000	0	0
Sales of Books, CDs and DVDs, Net	5,234		5,234	20,731
Royalties, Fees, & Other	146,413		146,413	71,505
Total Revenues	<u>3,117,678</u>	<u>10,000</u>	<u>3,127,678</u>	<u>2,684,276</u>
TOTAL SUPPORT AND REVENUES	5,121,979	590,045	5,712,024	5,486,871
EXPENSES				
PROGRAM SERVICES				
Research	1,257,496		1,257,496	1,480,177
Education	3,083,740		3,083,740	2,943,860
Total Program Services	<u>4,341,236</u>		<u>4,341,236</u>	<u>4,424,037</u>
SUPPORTING SERVICES				
Management and General	691,572		691,572	652,125
Fundraising	665,939		665,939	493,353
Total Supporting Services	<u>1,357,511</u>		<u>1,357,511</u>	<u>1,145,478</u>
TOTAL EXPENSES	<u>5,698,747</u>		<u>5,698,747</u>	<u>5,569,515</u>
Contributions Released from Restrictions	<u>709,332</u>	<u>(709,332)</u>	<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	132,564	(119,287)	13,277	(82,644)
NET ASSETS AT BEGINNING OF YEAR	<u>5,055,896</u>	<u>593,318</u>	<u>5,649,214</u>	<u>5,731,858</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,188,460</u>	<u>\$ 474,031</u>	<u>\$ 5,662,491</u>	<u>\$ 5,649,214</u>

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			
	Research	Education	Total Program Services	Mgmt & General	Fundraising	Total Supporting Services	Total Expenditures
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
Total Functional Expenses	\$ 1,257,496	\$ 3,083,740	\$ 4,341,236	\$ 691,572	\$ 665,939	\$ 1,357,511	\$ 5,698,747
			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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 13,277	\$ (82,644)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided in Operating Activities:		
Depreciation	256,103	262,273
Amortization	13,203	0
Disposal of Equipment	(87,618)	0
Changes In Assets & Liabilities		
(Increase) Decrease In Accounts Receivable	(22,683)	54,691
(Increase) Decrease In Inventory	8,519	13,856
(Increase) Decrease In Prepaid Expense and Deposits	(19,666)	77,907
Increase (Decrease) In Accounts Payable	14,543	80,511
Increase (Decrease) In Accrued Vacation Payable	27,800	7,628
Increase (Decrease) In Deferred Revenue	373,793	(152,441)
Increase (Decrease) In Legal Trust Fund	(85,025)	92,525
Net Cash Provided in Operating Activities	492,246	354,306
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Lines of Credit	(100,000)	(100,000)
Net Cash Used in Financing Activities	(100,000)	(100,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Intangible Assets	(158,431)	0
Purchase of Fixed Assets	(114,883)	(120,306)
Net Cash Used in Investing Activities	(273,314)	(120,306)
NET INCREASE IN CASH AND CASH EQUIVALENTS	118,932	134,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	781,612	647,612
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 900,544	\$ 781,612

Supplemental Disclosures of Cash Flow Information:

	Interest paid	\$ 79,642	\$ 86,916
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INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018

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, 2019 the accounts exceeded \$250,000 by \$649,444. Such funds were at risk in the event of insolvency of the banking institutions.

The Organization does not have any cash equivalents.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018

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, 2019 and 2018, was \$256,103 and \$262,273 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 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.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories were 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 consisted of promotional merchandise and the retreat center bookstore. As of June 30, 2019 the Organization had disposed of all inventory due to obsolescence.

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, 2019 and 2018, were \$132,183 and \$104,383 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, 2016, 2017 and 2018, are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

Reclassifications

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

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU-14, Not-for-Profit Entities (Topic985) – *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understanding of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2019 and 2018:

Total financial assets	\$	1,011,879	\$	870,264
Less amounts restricted by donors for research and education expenditures		196,257		325,544
Less amounts restricted by donors for endowment		277,774		267,774
Financial assets available to meet general expenditures over the next twelve months		\$ 537,848		\$ 276,946

NOTE 4 – INVESTMENTS

For the years ended June 30, 2019 and 2018 the Organization did not hold any investments.

NOTE 5 – INVENTORIES

Inventories at June 30, 2019 and 2018, consist of the following:

	2019		
	Cost	Market	Lower of Cost or Market
Education Products Inventory	\$ 0	\$ 0	\$ 0
	\$ 0	\$ 0	\$ 0
	2018		
	Cost	Market	Lower of Cost or Market
Education Products Inventory	\$ 8,519	\$ 41,859	\$ 8,519
	\$ 8,519	\$ 41,859	\$ 8,519

NOTE 6 – INTANGIBLE ASSETS

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

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018

NOTE 7 – FIXED ASSETS

Fixed assets at June 30, 2019` consist of the following:

	Cost	Accumulated Depreciation	Book Value
	<u> </u>	<u> </u>	<u> </u>
Land	\$ 4,800,000	\$ 0	\$ 4,800,000
Buildings and Improvements	5,393,383	3,753,308	1,640,075
Furniture and Equipment	599,555	475,939	123,616
Construction in Progress	636,537	0	636,537
Trucks and Automobiles	55,548	46,881	8,667
Artwork	3,800	0	3,800
	<u>\$ 11,488,823</u>	<u>\$ 4,276,128</u>	<u>\$ 7,212,695</u>

NOTE 8 – NOTES PAYABLE

As of June 30, 2019, the Organization has various notes payable of \$1,480,000, all of which is due June 30, 2020. Each of these notes has an interest rate of 5%.

NOTE 9 – RELATED PARTY TRANSACTIONS

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, 2020. The Organization paid Calvin LeHew interest of \$50,000 for the year ended June 30, 2019 and there was no unpaid accrued interest for the years ended June 30, 2019 and 2018. This loan is secured by the land and buildings of the Organization.

Harriet 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, 2020. The Organization paid Harriet Crosby interest of \$2,500 for the year ended June 30, 2019 and there was no unpaid accrued interest for the years ended June 30, 2019 and 2018. This loan is secured by the land and buildings of the Organization.

Claudia Welss, a board member, loaned the Organization \$340,000 in January 2016 for the purpose of operating funds and retirement of other debt maturing September 2016. The loan carried an interest rate of 5% with interest and principal payable in full on June 30, 2018. Claudia Welss forgave \$10,000 of this loan in June 2017 and the Organization paid the remaining principal of \$330,000 upon the loan’s maturity in June 2018. The Organization paid Claudia Welss interest of \$16,500 for the year ended June 30, 2018.

Claudia Welss issued a new 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, 2020. Claudia Welss forgave \$100,000 of this loan in June 2019. The Organization paid Claudia Welss interest of \$11,500 for the year ended June 30, 2019 and there was no unpaid accrued interest for the year ended June 30, 2019. This loan is secured by the land and buildings of the Organization.

INSTITUTE OF NOETIC SCIENCES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018

NOTE 10 – NET ASSETS

Net assets with donor restrictions were as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Research	\$ 193,166	\$ 310,573
Winston Franklin Endowment Fund	277,774	267,774
Donor Advised Funds	3,091	14,971
	\$ 474,031	\$ 593,318

NOTE 11 – WINSTON FRANKLIN ENDOWMENT FUND

As of June 30, 2019 and 2018 the Winston Franklin Endowment Fund consisted of cash held in a high yield savings account in the amount of \$277,774 and \$267,774 respectively.

NOTE 12 – LEASE EXPENSE

The Organization paid \$106,546 and \$133,757 for operating leases for the year ended June 30, 2019 and 2018 respectively. The leases are on a month to month basis.

NOTE 13 – COST OF GOODS SOLD

Sales of books, CDs & DVDs are shown net of cost of goods sold on the statement of activities. The Organization sells digital copies of material through their online store, which has no inventory cost. Sales and cost of goods sold at June 30, 2019 and 2018 consist of the following:

	2019	2018
Sales	\$ 9,468	\$ 36,915
Cost of Goods Sold	4,234	16,184
Net Sales	\$ 5,234	\$ 20,731

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 13, 2020 the date which the financial statements were available to be issued.