

THE BIOMIMICRY INSTITUTE

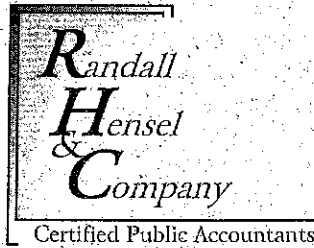
AUDITED FINANCIAL STATEMENTS

For the Years Ending
December 31, 2014 and 2013

THE BIOMIMICRY INSTITUTE

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INDEPENDENT AUDITOR'S REPORT

The Biomimicry Institute
P.O. Box 9216
Missoula, Montana 59807

Report on the Financial Statements

We have audited the accompanying financial statements of The Biomimicry Institute (Agency), which comprise the statements of financial position as of December 31, 2014 and 2013, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the Agency as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.


Randall, Hensel, & Company
Certified Public Accountants

Missoula, Montana
August 7, 2015

THE BIOMIMICRY INSTITUTE
Statements of Financial Position
As of December 31,

ASSETS	2014	2013
	\$	\$
Cash and cash equivalents	819,268	515,357
Investments	-	98,946
Accounts receivable	1,429	1,731
Related party receivables	26,222	22,173
Grants receivable	-	-
Prepaid expenses	8,127	7,465
Total current assets	855,046	645,672
TOTAL ASSETS	\$ 855,046	\$ 645,672
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 37,524	49,390
Related party payables	6,836	13,732
Accrued payroll and benefits	24,341	25,172
Accrued leave payable	18,903	38,140
Deferred revenue	259,750	94,252
Total current liabilities	347,354	220,686
TOTAL LIABILITIES	347,354	220,686
NET ASSETS		
Unrestricted	430,168	422,745
Temporarily restricted	77,524	2,241
Total net assets	507,692	424,986
TOTAL LIABILITIES AND NET ASSETS	\$ 855,046	\$ 645,672

The Accompanying Notes are an Integral Part
of these Financial Statements.

THE BIOMIMICRY INSTITUTE
Statements of Activities
For the Years Ended December 31,

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUES		
Source of Funds for Mission Accomplishment		
Public support	\$ 792,785	\$ 1,285,938
Program service revenue	26,569	86,212
Licensing fees, other	18,308	21,840
Interest and dividends	711	3,449
Unrealized gain/(loss) on investments	1,070	(5,302)
Net assets released from restrictions	147,217	65,802
TOTAL REVENUES	\$ 986,660	\$ 1,457,939
EXPENSES		
Funds Spent on Mission Accomplishment by Program		
AskNature	\$ 242,977	\$ 405,078
Research and thought leadership	0	256,328
Design Challenges - education programs	215,773	230,326
Biomimicry Global Networks	166,261	205,587
Communications and outreach	96,519	115,089
Total program services expenses	\$ 721,529	\$ 1,212,408
Funds Spent on Support Services		
Fundraising	\$ 160,046	\$ 259,134
Administrative	97,662	111,206
Total support services	257,708	370,340
TOTAL EXPENSES	\$ 979,237	\$ 1,582,748
Funds available for mission accomplishment	\$ 728,953	\$ 1,087,599
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS	\$ 7,423	\$ (124,809)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions for program mission funds	\$ 222,500	\$ -
Net assets released from restrictions	(147,217)	(65,802)
INCREASE/DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	\$ 75,283	\$ (65,802)
TOTAL INCREASE/DECREASE IN NET ASSETS	\$ 82,706	\$ (190,611)
NET ASSETS, Beginning of Year		
Unrestricted	\$ 422,745	\$ 547,554
Temporarily Restricted	2,241	68,043
TOTAL NET ASSETS, Beginning of Year	\$ 424,986	\$ 615,597
NET ASSETS, End of Year		
Unrestricted	\$ 430,168	\$ 422,745
Temporarily Restricted	77,524	2,241
TOTAL NET ASSETS, End of Year	\$ 507,692	\$ 424,986

The Accompanying Notes are an Integral Part
of these Financial Statements.

THE BIOMIMICRY INSTITUTE
Statement of Functional Expenses
For the Year Ended December 31, 2014

	PROGRAM SERVICES				SUPPORT SERVICES				TOTAL
	ASKNATURE	DESIGN CHALLENGES - EDUCATION PROGRAMS	BIOMIMICRY GLOBAL NETWORK	COMMS & OUTREACH	Total PROGRAM SERVICES	FUNDRAISING	ADMIN & FINANCE	Total SUPPORT SERVICES	
Computer hardware & software	\$ 6,058	\$ 4,818	\$ 2,474	\$ 1,391	\$ 14,740	\$ 2,266	\$ 1,459	\$ 3,725	\$ 18,466
Equipment User Fees	376	334	257	149	1,116	248	151	399	1,515
Dues, fees, & subscriptions	773	642	1,122	1,873	4,411	1,011	353	1,364	5,775
Insurance	1,332	1,183	912	529	3,956	877	536	1,413	5,369
Marketing & promotion	112	7,260	526	71	7,970	54	33	87	8,057
Meetings & training	3,677	10,303	3,517	327	17,825	3,799	6,402	10,201	28,027
Meetings events	0	0	35,769	0	35,769	0	0	0	35,769
Occupancy	3,974	3,529	2,719	1,579	11,801	2,618	1,598	4,216	16,016
Office expenses	1,282	957	1,325	437	4,002	1,080	467	1,547	5,549
Professional services	98,304	45,390	77,646	17,839	239,178	11,957	17,677	29,634	268,812
Pass-through grant expense	0	0	12,180	0	12,180	0	0	0	12,180
Payroll salaries & wages	127,087	141,355	27,812	72,322	368,577	136,134	68,983	205,118	573,695
Interest Expense	1	1	1	1	4	1	3	4	8
Total	\$ 242,977	\$ 215,773	\$ 166,261	\$ 96,519	\$ 721,529	\$ 160,046	\$ 97,662	\$ 257,708	\$ 979,237

The Accompanying Notes are an Integral Part
of these Financial Statements

THE BIOMIMICRY INSTITUTE
Statement of Functional Expenses
For the Year Ended December 31, 2013

	PROGRAM SERVICES						SUPPORT SERVICES			TOTAL		
	COMMUNICATIONS & OUTREACH	THOUGHT LEADERSHIP	ASK/NATURE	NETWORKS	EDUCATION	PROGRAM SERVICES	FUNDRAISING	ADMIN & FINANCE	Total SUPPORT SERVICES			
Computer hardware & software	926	2,100	7,618	1,975	4,413	17,032	\$	6,649	\$	8,498	\$	25,530
Dues, fees, & subscriptions	260	2,472	916	1,093	1,374	6,115		1,462	414	1,876		7,991
Insurance	403	898	1,420	720	910	4,351		908	554	1,462		5,813
Marketing & promotion	-	2,915	-	-	19,500	22,415		4,181	-	4,181		26,596
Meetings & training	752	57,654	10,047	25,238	37,339	131,030		19,175	9,443	28,618		159,648
Occupancy	2,963	6,599	10,428	5,293	6,683	31,966		2,740	2,740	9,411		41,377
Office expenses	1,135	2,594	3,142	2,258	2,304	11,433		2,603	1,063	3,666		15,099
Professional services	52,256	126,605	270,414	107,329	88,846	645,450		118,311	77,998	196,309		841,759
Pass-through grant expense	-	10,000	-	37,052	-	47,052		-	-	-		47,052
Payroll salaries & wages	41,501	33,183	77,921	18,037	50,983	221,625		75,681	7,581	83,262		304,887
Payroll taxes & benefits	14,893	11,308	23,172	6,592	17,974	73,939		23,493	4,815	28,308		102,247
Foreign exchange loss	-	-	-	-	-	-		-	4,749	4,749		4,749
Total	\$ 115,089	\$ 256,328	\$ 405,078	\$ 205,587	\$ 230,326	\$ 1,212,408	\$	\$ 259,134	\$ 111,206	\$ 370,340	\$	\$ 1,582,748

The Accompanying Notes are an Integral Part
of these Financial Statements.

THE BIOMIMICRY INSTITUTE
Statements of Cash Flows
For the Year Ended December 31,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/Decrease in net assets available for future program services	\$ 82,706	\$ (190,611)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Items not affecting cash		
Unrealized (gain)/loss on Investments	(1,070)	5,302
Changes in operating assets and liabilities:		
Investments	98,946	-
Accounts receivable	(3,747)	(19,990)
Grants receivable	-	-
Prepaid expenses	(662)	29,978
Accounts payable and accrued expenses	(18,762)	(15,603)
Accrued payroll and benefits	(831)	25,172
Accrued leave	(19,237)	38,140
Deferred revenue	165,498	94,252
Net cash provided by operating activities	221,205	157,251
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends and Interest Reinvested	-	(2,820)
Net cash used by investing activities	-	(2,820)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Net change in cash and cash equivalents	303,911	(36,180)
Cash and cash equivalents, beginning of the year	515,357	551,537
Cash and cash equivalents, end of year	\$ 819,268	\$ 515,357

The Accompanying Notes are an Integral Part
of these Financial Statements.

THE BIOMIMICRY INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Note 1. Nature of Organization and Summary of Significant Accounting Policies

A. Organization

The Biomimicry Institute (TBI) is a not-for-profit corporation organized in 2006 under Internal Revenue Code Section 501(c) (3). TBI was formed to naturalize biomimicry in the culture by promoting the transfer of ideas, designs, and strategies from biology to sustainable human systems design. TBI is governed by a nine member Board of Directors.

The primary purpose of TBI is to promote biomimicry as a new science that studies nature's best ideas, abstracts the deep design principles, and then emulates these designs and processes to solve human problems. Biomimicry is a turnaround strategy for our species, a way for humans to fit in and flourish on this planet by emulating life's 3.8 billion years of brilliant designs and strategies. It is TBI's intent to spread knowledge of this new science on a global basis.

TBI accomplished these objectives in 2013 and 2014, through an on-line database of nature's solutions called AskNature.org, hosting multiple Design Challenges and education programs, growing a global Network of regional biomimicry practitioners, and Thought Leadership. However, in 2014, for strategic purposes, the organization decided to house its Thought Leadership initiative under the Design Challenges program.

Ask Nature.org is the world's most comprehensive catalog of nature's solutions to human design challenges. The curated online library features free information on natural phenomena and bio-inspired applications tailored to meet the needs of the people who invent our world. Nearly every design challenge humans face shares commonalities with the challenges the rest of life must adapt to. By understanding how these adaptations work, innovators can mimic ideas that have thrived in balance with the Earth's complex systems.

The Design Challenges program is evolving into one of our premier programs at TBI. In 2014, we wrapped up our Biomimicry Student Design Challenge which focused on college and university students working collaboratively in teams to apply biomimicry concepts and tools to arrive at a sustainable and innovative design solution to a real-world problem. The Challenge was open to any student worldwide who is enrolled in a certificate or degree program. Teams of two to six participated in lectures, access to design biologists, and other resources to help students apply biomimicry to their design process. Our Student Design Challenges have been so successful that we have now created our signature Biomimicry Global Design Challenge and opened it up to students and professional teams competing in two separate tracts as well added a design prototype round. In addition, we are developing partners to launch new Design Challenges, either with university partners, corporate partners or both. These Challenges change annually and can consist of a variety of world problems such as challenges in food security, water access and management, energy efficiency, water access and management, and transportation.

TBI's Global Network is comprised of regional networks that have partnered with TBI to catalyze the application of biomimicry worldwide. Harnessing local resources and expertise, the Network attracts and connects community leaders from all sectors to advance the application of biomimicry within their region to build a global web of biomimicry leaders, practitioners, and informed citizens who will transform the world by emulating nature.

Thought Leadership efforts range from academic engagement around the next generation of biomimetic materials to Biomimicry Conferences that support institutions and individuals in learning how to integrate biomimicry tools and concepts into their existing academic or organizational work. As nature evolves and adapts so do we at the Biomimicry Institute, therefore this program morphed and became a subproject of our overall Design Challenge program.

THE BIOMIMICRY INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Note 1. Nature of Organization and Summary of Significant Accounting Policies, continued...

B. Basis of Accounting

The financial statements of TBI have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities. TBI measures financial instruments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, current receivables, and current liabilities approximate their fair values because of their short-term nature. Investments, if any, are recorded at quoted active market prices at the reporting date for identical assets (Level 1)

C. Categories of Net Assets

Net assets of TBI are reported in the following categories:

Unrestricted net assets generally have no donor-imposed restrictions. This category includes net amounts that have been earned and expended according to donor and contract conditions and generally unrestricted activities.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose of the proceeds is not permanently restricted. As of December 31, 2014 and 2013 TBI had \$77,524 and \$2,241 in temporarily restricted net assets relating to three of its main programs. In 2014, AskNature: \$30,000; Global Design Challenges: \$17,543; and Biomimicry Global Network: \$29,981 and in 2013 \$2,241 was restricted to our Biomimicry Global Network program.

Permanently restricted net assets result from contributions and other inflows of assets whose use by TBI is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of TBI. As of December 31, 2014 and 2013, TBI had no permanently restricted net assets.

D. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and on hand, and highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of three months or less from the date of purchase. Investments consist of debt instruments with original maturities in excess of three months, marketable securities and mutual funds. All investments have readily determinable fair values. TBI's primary investment objective is to maximize total return with minimal risk to preserve capital that is intended for TBI's charitable missions while generating cash flow for operations.

As of December 31, 2014, TBI's investments were liquidated and moved into cash in savings, checking, and money market accounts. For the year ending December 31, 2014, realized interest, dividends on the investments were \$711. The unrealized gain from market value changes was \$1,070. Realized and unrealized gains and losses are reported in the Statement of Activities as interest and dividends and unrealized gains and losses.

Cash and temporary investments at December 31, 2014 consist of the following:

Cash on hand, in savings, checking, and money market accounts	<u>\$ 819,268</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 819,268</u>

THE BIOMIMICRY INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Note 1. Nature of Organization and Summary of Significant Accounting Policies, continued...

D. Cash and Cash Equivalents and Investments, continued

As of December 31, 2013, TBI's investments included mutual funds held by a financial institution. For the year ending December 31, 2013, realized interest, dividends on the investments were \$3,100. The unrealized loss from market value changes was (\$5,302). Realized and unrealized gains and losses are reported in the Statement of Activities as interest and dividends and unrealized gains and losses. The fair market value of the investments from quoted market prices in active markets for identical assets or liabilities (Level 1) were \$98,946 and the cost basis of the investments was \$105,300.

Cash and temporary investments at December 31, 2013 consist of the following:

Cash on hand, in savings, checking, and money market accounts	\$ 415,316
Cash and cash equivalents held by investment managers	100,041
Mutual Funds held by investment managers	<u>98,946</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 614,303</u>

E. Fixed Assets

TBI capitalizes equipment with a purchase price of \$1,000 or more and an expected life of at least three years. Property and equipment are carried at cost. Straight-line depreciation is used to depreciate assets over estimated useful life of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease plus extensions or the estimated useful lives of the assets. As of December 31, 2014 and 2013, TBI had no fixed assets.

F. Contributed Support

TBI recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as unrestricted, temporarily restricted, or permanently restricted depending upon the existence of donor stipulations. Temporarily restricted contributions whose restrictions have been fulfilled in the current year are reported as unrestricted.

G. Revenue Recognition

Contract, grant, and other revenues are recognized when earned. Contributed service revenue results when donated services create or enhance non-financial assets or when they require specialized skills provided by people possessing those skills that would typically be purchased if not provided by donation. Contributed goods are valued at their estimated fair value at the date of contribution. There were \$1,606 and \$0 contributed services recorded for the years ended December 31, 2014 and 2013, respectively, recorded as public support.

THE BIOMIMICRY INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Note 1. Nature of Organization and Summary of Significant Accounting Policies, continued...

H. Cost Allocation and Program Activities

TBI allocates costs that can be identified specifically with a particular final cost objective directly to the services benefiting. Joint costs are allocated directly to fundraising, administration, and program services on the basis of accumulated cost of such services. The primary activity groups and their related purposes are summarized as follows:

Program Services – Consists of funds expended for the provision of a services to directly achieve mission accomplishment via various projects. (See Note 1.A.)

Administration – Consists of funds that are used for administering TBI and those activities that are not directly attributable to mission accomplishment such as accounting and administrative overhead costs.

Fundraising – Consists of funds that are used for generating financial resources for TBI.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which affect the reported assets, liabilities, revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

J. Paid Time Off

TBI charges individual projects for Paid Time Off (PTO) leave earned by employees. These accruals are recorded in the Accrued Leave Payable account. When an employee uses PTO benefits, the PTO time is charged against this account. As of December 31, 2014 and 2013, the Accrued PTO Payable account had a liability balance of \$18,903 and \$38,140 respectively.

K. Income Taxes

Provisions for income taxes have not been recorded in these financial statements because TBI believes it had no income unrelated to its exempt purposes in 2014 and 2013. With few exceptions, TBI is no longer subject to U.S. federal or state tax examinations by tax authorities for years before 2011.

L. Subsequent Events

TBI recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed as of December 31, 2014, including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist as of December 31, 2014 but arose after that date and prior to the financial statements are available to be issued are not recognized in these financial statements. TBI evaluates subsequent events through the date the financial statements are available to be issued which is the date of the auditor's report.

THE BIOMIMICRY INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Note 2. Accounts Receivable

Accounts Receivable represents the amounts due for contract services and expense reimbursements. Services provided have a fixed fee determined by contractual agreements. All amounts are considered collectible, therefore no provision for bad debts has been recorded to these financial statements.

Grants Receivable represents the balance of grant funds earned but not yet received in cash. Most grants allow monthly draw-downs of cash which provide operating capital for program operation.

Note 3. Employee Benefits

401(k) Retirement Plan: TBI employees may participate in a Code Section 401(k) Retirement Plan. Employees are eligible to make elective deferrals upon completion of six months of service and can contribute up to the maximum amount allowed by law. Employees meeting the plan's service requirements are eligible for employer matching contributions. TBI matches 100% of employee contributions up to 4% of the employee's salary. Employer matching contributions are fully and immediately vested to the employee. For the year ended December 31, 2014 and 2013, TBI contributed \$15,811 and \$12,091, respectively, in matching contributions to the 401(k) Retirement Plan.

Health Insurance: TBI participates in a Group Health Benefit Plan (Health Plan) which provides eligible employees and their dependents with medical insurance. The Health Plan has a \$5,000 deductible provision whereby the first \$5,000 of medical expense annually is paid by the employee (\$10,000 for family coverage). Any cost in excess of the deductible is covered through an insurance policy from an insurance provider. TBI paid \$24,491 for insurance premiums for the year ending December 31, 2014 and \$19,156 for insurance premiums for the year ending December 31, 2013. TBI maintained a Health Reimbursement Arrangement Plan through December 1, 2014, that reduced the employee maximum annual responsibility to \$2,500 for single coverage and \$5,000 for family coverage.

Health reimbursement arrangement (HRA) plan: On June 1, 2013, the TBI adopted a code section 105(b) Health Reimbursement Arrangement for eligible employees. TBI contributed up to \$2,500 for single coverage and \$5,000 for family coverage annually to the individual's health reimbursement account. These funds could be used for reimbursement of eligible medical expenses for the employee or their dependents. For the year ending December 31, 2014, TBI contributed \$4,500 to health reimbursement accounts for employees and for the year ending December 31, 2013, TBI contributed \$796 to health reimbursement accounts for employees. The HRA plan was ended December 1, 2014.

Paid Time Off (PTO): TBI's regular part-time and full-time employees working 20 hours or more per week that have completed 90 days of continuous service are eligible for PTO benefits. PTO benefits accrue at rates between 216 and 336 hours per year and can accumulate up to a maximum of 120 to 180 hours depending on length of service. Accrued but unused PTO benefits are paid to employees upon termination at the rate of pay effective at the time of termination.

Note 4. Fixed Assets

TBI capitalizes equipment with a purchase price of at least \$1,000 or lower amount if required by grantors, and an expected life of at least three years. Property and equipment are carried at cost. Straight-line depreciation is used to depreciate assets over estimated lives of three to thirty years.

As of December 31, 2014 and 2013, TBI had no fixed assets. TBI currently leases all general office and computer equipment from the Biomimicry Group, Inc. (see Note 10. Related Parties below for further information).

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NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Note 5. Cost Allocation

TBI allocates costs that can be identified specifically with a particular final cost objective directly to the individual program benefiting. Joint costs are allocated directly to individual programs using a base most appropriate to the particular cost being prorated.

Note 6. Deferred Revenue

Deferred Revenue consists of the unearned portion of grant awards and program service revenue. As of December 31, 2014 and as of December 31, 2013, Deferred Revenue consists only of the unearned portion of a grant award. The activity in the deferred revenue account is as follows:

	2014	2013
Deferred Revenue, Beginning of Year	\$ 94,252	\$ -
Grant Awards Received	1,087,025	649,080
Less Grant Revenue Earned	(955,861)	(492,542)
Gross Grants Deferred Revenue, End of Year	\$ 225,416	\$ 156,538
Less Amounts Not Received in Cash	-	(66,765)
Adjust for Foreign Exchange	(260)	4,479
Net Deferred Revenue	<u>\$ 225,156</u>	<u>\$ 94,252</u>
Deferred Revenue-Other, Beginning of Year	\$ -	\$ -
Deferred Revenue-Other, Received	50,000	-
Less Deferred Revenue-Other Earned	(15,406)	-
Gross Deferred Revenue-Other, End of Year	<u>34,594</u>	<u>-</u>
TOTAL DEFERRED REVENUE	<u>\$ 259,750</u>	<u>\$ 94,252</u>

Note 7. Loans Payable

TBI has no loans payable or long-term debt.

Note 8. Leases

TBI leased office space on a month to month basis from the Biomimicry Group. (See Note 10) TBI shared office and other common costs under a resource sharing and services agreement. Under the terms of the agreement, office space charged was determined by calculating the square footage of the premises used by full and part-time employees of the Institute against the entire square footage of the premises and their portion of common costs. The lease agreement was terminated on December 31, 2014.

THE BIOMIMICRY INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Note 9. Risk Management

TBI faces a number of risks including loss or damage to property, general liability, fiduciary liability, foreign liability, and employee medical insurance. TBI is a named insured and shares in the cost of commercial insurance policies purchased by the Biomimicry Group, Inc. for loss or damage to property and general liability (see Note 10. Related Parties below for further information). TBI has purchased commercial insurance policies covering directors, officers, and fiduciary liability, for foreign liability and employee medical insurance.

Note 10. Related Parties

TBI shares resources and common costs in a mutually beneficial agreement with the Biomimicry Group, Inc. (BGI). BGI is a for-profit enterprise whose majority shareholder is TBI's founder, a board member of TBI, and former board president of TBI. From January 1, 2013 through May 31, 2013, BGI provided all programmatic and administrative staffing services, at cost, to TBI pursuant to an intercompany and services agreement originally dated October 14, 2010, and revised as of January 1, 2012. Included in the administrative services that BGI provided to TBI, were facilities and equipment use and all overhead costs such as liability insurance, telephone and internet, general office supplies, and shared software and internet subscriptions. As of June 1, 2013 a revised resource sharing and services agreement was executed. Under this agreement TBI became the employer of its core staff, but continued to share facilities, equipment and overhead costs. Under the agreements, common costs and shared employees are allocated to each entity based on the actual costs incurred based on hours worked, square footage, or other basis that is most appropriate for the costs to be allocated.

TBI also receives substantial unrestricted and restricted funding from a foundation that is related to a minority non-voting owner of BGI. This funding represented 52 percent of TBI's revenues in 2014 and 28 percent of TBI's revenues in 2013.

TBI has also executed a licensing agreement with BGI that allows BGI to license intellectual property owned by TBI at fair market value. BGI must pay TBI five percent of gross revenues received by BGI from the sale of products and services that directly use a material portion of the licensed materials.

A summary of 2014 shared services is as follows:

GOODS AND SERVICES PURCHASED BY TBI FROM BGI

	2014	2013
Computers	\$ 9,963	\$ 20,991
Dues, Fees and Subscriptions	327	968
Insurance	935	2,248
Meetings and Training	1,030	2,647
Occupancy Expenses	16,016	41,377
Office Expenses	4,466	9,264
Professional Services	0	7,270
Payroll Expenses	14,284	372,122
	<hr/>	<hr/>
Total Allocated Expenses	<u>\$ 47,021</u>	<u>\$ 456,887</u>

THE BIOMIMICRY INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Note 10. Related Parties, continued...

GOODS AND SERVICES PURCHASED BY BGI FROM TBI

	<u>2014</u>	<u>2013</u>
Licensing Fees	\$ 16,453	\$ 9,995
Educational Services	0	23,990
Meetings and Trainings	51	2,218
Payroll Expenses	<u>56,842</u>	<u>49,847</u>
Total Allocated Expenses	<u>\$ 73,346</u>	<u>\$ 86,050</u>

Note 11. Concentration of Risk

TBI has a concentration regarding its revenue sources. For the year ended December 31, 2014 and 2013, one grantor accounted for 15 percent and 34 percent of TBI's total income. For the year ended December 31, 2014 and 2013, another grantor, which is a minority owner of BGI, accounted for 52 percent and 28 percent of TBI's total income. A change in the amount or continuation of funding could have a significant affect on TBI's operations.

In 2014, TBI maintains its cash accounts in one financial institution located in Missoula, Montana. In 2013, TBI maintained its cash accounts in several financial institutions located in Missoula, Montana. The Agency has funds deposited in certain banks, which at times may exceed the Federal Deposit Insurance Corporation (FDIC) Insurance Coverage in these banks. Management does not believe there is any significant risk associated with these accounts. The amount of funds above the FDIC limit as of December 31, 2014 was \$569,268.