



THE BIOMIMICRY INSTITUTE  
AUDITED FINANCIAL STATEMENTS  
December 31, 2015 and 2014

THE BIOMIMICRY INSTITUTE  
Missoula, Montana

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R A N D A L L & P E T E R S O N, P. C.  
— CERTIFIED PUBLIC ACCOUNTANTS —

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## INDEPENDENT AUDITORS' 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 (a 501(c)(3) Not-for-Profit Corporation), which comprise the statements of financial position as of December 31, 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 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 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 that 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 Biomimicry Institute as of December 31, 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.

*Randall & Peterson, P.C.*

Randall & Peterson, P.C.  
f/k/a Randall, Hensel & Peterson  
Missoula, Montana  
August 23, 2016

## **FINANCIAL STATEMENTS**

THE BIOMIMICRY INSTITUTE  
Missoula, Montana

STATEMENTS OF FINANCIAL POSITION  
As of December 31,

| ASSETS                                      | 2015              | 2014              |
|---|-------------------|-------------------|
| Cash and cash equivalents                   | \$ 748,023        | \$ 819,268        |
| Accounts receivable                         | 1,407             | 1,429             |
| Related party receivables                   | 0                 | 26,222            |
| Prepaid expenses                            | 13,155            | 8,127             |
| Equipment                                   | 1,850             | 0                 |
| Accumulated Depreciation                    | (116)             | 0                 |
| <b>TOTAL ASSETS</b>                         | <b>\$ 764,319</b> | <b>\$ 855,046</b> |
| <br>LIABILITIES AND NET ASSETS              |                   |                   |
| LIABILITIES                                 |                   |                   |
| Accounts payable and accrued expenses       | \$ 17,007         | \$ 37,524         |
| Related party payables                      | 576               | 6,836             |
| Accrued payroll and benefits                | 7,884             | 24,341            |
| Accrued leave payable                       | 11,887            | 18,903            |
| Deferred revenue                            | 224,405           | 259,750           |
| <b>TOTAL LIABILITIES</b>                    | <b>\$ 261,759</b> | <b>\$ 347,354</b> |
| <br>NET ASSETS                              |                   |                   |
| Unrestricted                                | \$ 468,311        | \$ 430,168        |
| Temporarily restricted                      | 34,249            | 77,524            |
| <b>TOTAL NET ASSETS</b>                     | <b>\$ 502,560</b> | <b>\$ 507,692</b> |
| <br><b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 764,319</b> | <b>\$ 855,046</b> |

The accompanying notes are an integral part of these financial statements.



THE BIOMIMICRY INSTITUTE  
Missoula, Montana

STATEMENTS OF ACTIVITIES  
For the Years Ended December 31,

|  | <u>2015</u>         | <u>2014</u>       |
|--|---------------------|-------------------|
| UNRESTRICTED NET ASSETS                          |                     |                   |
| REVENUES   |                     |                   |
| Source of Funds for Mission Accomplishment       |                     |                   |
| Public support                                   | \$ 834,497          | \$ 792,785        |
| Program service revenue                          | 93,464              | 26,569            |
| Licensing fees, other                            | 12,412              | 18,308            |
| Interest and dividends                           | 372                 | 711               |
| Unrealized gain on investments                   | 0                   | 1,070             |
| Net assets released from restrictions            | <u>117,375</u>      | <u>147,217</u>    |
| TOTAL REVENUES                                   | <u>\$ 1,058,120</u> | <u>\$ 986,660</u> |
| EXPENSES   |                     |                   |
| Funds Spent on Mission Accomplishment by Program |                     |                   |
| AskNature  | \$ 207,357          | \$ 242,977        |
| Design Challenges - education programs           | 448,046             | 215,773           |
| Biomimicry Global Networks                       | 88,315              | 166,261           |
| Communications and outreach                      | <u>98,749</u>       | <u>96,519</u>     |
| Total program services expenses                  | \$ 842,467          | \$ 721,529        |
| Funds Spent on Support Services                  |                     |                   |
| Fundraising                                      | \$ 122,632          | \$ 160,046        |
| Administrative                                   | <u>54,878</u>       | <u>97,662</u>     |
| Total support services                           | <u>177,510</u>      | <u>257,708</u>    |
| TOTAL EXPENSES                                   | <u>\$ 1,019,977</u> | <u>\$ 979,237</u> |
| Funds available for mission accomplishment       | <u>\$ 880,610</u>   | <u>\$ 728,953</u> |
| CHANGE IN UNRESTRICTED NET ASSETS                | <u>\$ 38,143</u>    | <u>\$ 7,423</u>   |

The accompanying notes are an integral part of these financial statements.

THE BIOMIMICRY INSTITUTE  
Missoula, Montana

STATEMENTS OF ACTIVITIES, Continued  
For the Years Ended December 31,

|  | <u>2015</u>        | <u>2014</u>       |
|--|--------------------|-------------------|
| TEMPORARILY RESTRICTED NET ASSETS              |                    |                   |
| Contributions for program mission funds        | \$ 74,100          | \$ 222,500        |
| Net assets released from restrictions          | <u>(117,375)</u>   | <u>(147,217)</u>  |
| CHANGE IN TEMPORARILY RESTRICTED<br>NET ASSETS | \$ <u>(43,275)</u> | \$ <u>75,283</u>  |
| CHANGE IN TOTAL NET ASSETS                     | \$ (5,132)         | \$ 82,706         |
| NET ASSETS, Beginning of Year                  |                    |                   |
| Unrestricted                                   | \$ 430,168         | \$ 422,745        |
| Temporarily Restricted                         | <u>77,524</u>      | <u>2,241</u>      |
| TOTAL NET ASSETS, Beginning of Year            | \$ 507,692         | \$ 424,986        |
| NET ASSETS, End of Year                        |                    |                   |
| Unrestricted                                   | \$ 468,311         | \$ 430,168        |
| Temporarily Restricted                         | <u>34,249</u>      | <u>77,524</u>     |
| TOTAL NET ASSETS, End of Year                  | <u>\$ 502,560</u>  | <u>\$ 507,692</u> |

The accompanying notes are an integral part of these financial statements.



THE BIOMIMICRY INSTITUTE  
Missoula, Montana

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2015

| PROGRAM SERVICES             |            |  |                                 |                     |
|------------------------------|------------|--|---------------------------------|---------------------|
|                              | ASKNATURE  | DESIGN<br>CHALLENGES-<br>EDUCATION<br>PROGRAMS | BIOMIMICRY<br>GLOBAL<br>NETWORK | COMMS &<br>OUTREACH |
| Computer hardware & software | \$ 3,739   | \$ 13,494                                      | \$ 1,751                        | \$ 3,169            |
| Cost of goods sold           | 0          | 0  | 0                               | 0                   |
| Depreciation                 | 23         | 50   | 13                              | 11                  |
| Dues, fees, & subscriptions  | 28         | 874  | 453                             | 62                  |
| Insurance                    | 528        | 1,144  | 289                             | 252                 |
| Marketing & promotion        | 19         | 10,208   | 0                               | 120                 |
| Meetings & training          | 2,783      | 38,256   | 2,615                           | 1,152               |
| Meetings - events            | 0          | 38,194   | 22,856                          | 0                   |
| Office expenses              | 1,810      | 6,305  | 1,036                           | 848                 |
| Professional services        | 98,121     | 99,474   | 23,494                          | 17,542              |
| Payroll salaries & wages     | 100,306    | 240,047  | 35,808                          | 75,593              |
| Total                        | \$ 207,357 | \$ 448,046                                     | \$ 88,315                       | \$ 98,749           |

The accompanying notes are an integral part of these financial statements.

THE BIOMIMICRY INSTITUTE  
Missoula, Montana

STATEMENT OF FUNCTIONAL EXPENSES, Continued  
For the Year Ended December 31, 2015

|                                 | SUPPORT SERVICES             |                  |                    |                              |              |
|---------------------------------|------------------------------|------------------|--------------------|------------------------------|--------------|
|                                 | TOTAL<br>PROGRAM<br>SERVICES | FUND-<br>RAISING | ADMIN &<br>FINANCE | TOTAL<br>SUPPORT<br>SERVICES | TOTAL        |
| Computer hardware & software \$ | 22,153 \$                    | 1,693 \$         | 888 \$             | 2,581 \$                     | 24,734       |
| Cost of goods sold              | 0                            | 1,473            | 0                  | 1,473                        | 1,473        |
| Depreciation                    | 97                           | 13               | 6                  | 18                           | 115          |
| Dues, fees, & subscriptions     | 1,417                        | 393              | 3,853              | 4,246                        | 5,663        |
| Insurance                       | 2,213                        | 309              | 2,074              | 2,384                        | 4,597        |
| Marketing & promotion           | 10,347                       | 303              | 0                  | 303                          | 10,650       |
| Meetings & training             | 44,806                       | 984              | 743                | 1,727                        | 46,533       |
| Meetings - events               | 61,050                       | 0                | 0                  | 0                            | 61,050       |
| Office expenses                 | 9,999                        | 1,235            | 1,262              | 2,497                        | 12,496       |
| Professional services           | 238,631                      | 24,090           | 12,643             | 36,733                       | 275,364      |
| Payroll salaries & wages        | 451,754                      | 92,139           | 33,409             | 125,548                      | 577,302      |
| Total                           | \$ 842,467                   | \$ 122,632       | \$ 54,878          | \$ 177,509                   | \$ 1,019,977 |

The accompanying notes are an integral part of these financial statements.

THE BIOMIMICRY INSTITUTE  
Missoula, Montana

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2014

| PROGRAM SERVICES             |                   |   |                                 |                     |
|------------------------------|-------------------|---|---------------------------------|---------------------|
|                              | ASKNATURE         | DESIGN<br>CHALLENGES -<br>EDUCATION<br>PROGRAMS | BIOMIMICRY<br>GLOBAL<br>NETWORK | COMMS &<br>OUTREACH |
| Computer hardware & software | \$ 6,058          | \$ 4,818  | \$ 2,474                        | \$ 1,391            |
| Equipment user fees          | 376               | 334   | 257                             | 149                 |
| Dues, fees, & subscriptions  | 773               | 642   | 1,122                           | 1,873               |
| Insurance                    | 1,332             | 1,183   | 912                             | 529                 |
| Marketing & promotion        | 112               | 7,260   | 526                             | 71                  |
| Meetings & training          | 3,677             | 10,303  | 3,517                           | 327                 |
| Meetings - events            | 0                 | 0   | 35,769                          | 0                   |
| Occupancy                    | 3,974             | 3,529   | 2,719                           | 1,579               |
| Office expenses              | 1,282             | 957   | 1,325                           | 437                 |
| Professional services        | 98,304            | 45,390  | 77,646                          | 17,839              |
| Pass-through grant expense   | 0                 | 0   | 12,180                          | 0                   |
| Payroll salaries & wages     | 127,087           | 141,355   | 27,812                          | 72,322              |
| Interest expense             | 1                 | 1   | 1                               | 1                   |
| Total                        | \$ <u>242,977</u> | \$ <u>215,773</u>                               | \$ <u>166,261</u>               | \$ <u>96,519</u>    |

The accompanying notes are an integral part of these financial statements.

THE BIOMIMICRY INSTITUTE  
Missoula, Montana

STATEMENT OF FUNCTIONAL EXPENSES, Continued  
For the Year Ended December 31, 2014

|                                 | <u>SUPPORT SERVICES</u>      |                   |                    |                              |                   |
|---------------------------------|------------------------------|-------------------|--------------------|------------------------------|-------------------|
|                                 | TOTAL<br>PROGRAM<br>SERVICES | FUND-<br>RAISING  | ADMIN &<br>FINANCE | TOTAL<br>SUPPORT<br>SERVICES | TOTAL             |
| Computer hardware & software \$ | 14,740 \$                    | 2,266 \$          | 1,459 \$           | 3,725 \$                     | 18,466            |
| Equipment user fees             | 1,116                        | 248               | 151                | 399                          | 1,515             |
| Dues, fees, & subscriptions     | 4,411                        | 1,011             | 353                | 1,364                        | 5,775             |
| Insurance                       | 3,956                        | 877               | 536                | 1,413                        | 5,369             |
| Marketing & promotion           | 7,970                        | 54                | 33                 | 87                           | 8,057             |
| Meetings & training             | 17,825                       | 3,799             | 6,402              | 10,201                       | 28,027            |
| Meetings - events               | 35,769                       | 0                 | 0                  | 0                            | 35,769            |
| Occupancy                       | 11,801                       | 2,618             | 1,598              | 4,216                        | 16,016            |
| Office expenses                 | 4,002                        | 1,080             | 467                | 1,547                        | 5,549             |
| Professional services           | 239,178                      | 11,957            | 17,677             | 29,634                       | 268,812           |
| Pass-through grant expense      | 12,180                       | 0                 | 0                  | 0                            | 12,180            |
| Payroll salaries & wages        | 368,577                      | 136,134           | 68,983             | 205,118                      | 573,695           |
| Interest expense                | 4                            | 1                 | 3                  | 4                            | 8                 |
| Total                           | <u>\$ 721,529</u>            | <u>\$ 160,046</u> | <u>\$ 97,662</u>   | <u>\$ 257,708</u>            | <u>\$ 979,237</u> |

The accompanying notes are an integral part of these financial statements.

THE BIOMIMICRY INSTITUTE  
Missoula, Montana

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31,

|   | <u>2015</u>        | <u>2014</u>       |
|---|--------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |                   |
| Change in total net assets  | \$ (5,132)         | \$ 82,706         |
| Adjustments to reconcile change in net assets to<br>net cash flows from operating activities: |                    |                   |
| Depreciation  | \$ 116             | \$ 0              |
| Unrealized loss on investments  | 0                  | (1,070)           |
| Changes in operating assets and liabilities:  |                    |                   |
| Investments   | \$ 0               | \$ 100,016        |
| Accounts receivable   | 26,245             | (3,747)           |
| Prepaid expenses  | (5,028)            | (662)             |
| Accounts payable and accrued expenses   | (26,777)           | (18,762)          |
| Accrued payroll and benefits  | (16,457)           | (831)             |
| Accrued leave   | (7,016)            | (19,237)          |
| Deferred revenue  | (35,345)           | 165,498           |
| Total adjustments   | <u>(64,263)</u>    | <u>221,205</u>    |
| Net cash flows from operating activities  | \$ <u>(69,395)</u> | \$ <u>303,911</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                    |                   |
| Purchase of equipment   | \$ (1,850)         | \$ 0              |
| Net cash flows from investing activities  | <u>\$ (1,850)</u>  | <u>\$ 0</u>       |
| Net change in cash and cash equivalents   | (71,245)           | 303,911           |
| <b>CASH AND CASH EQUIVALENTS</b>  |                    |                   |
| Beginning of year   | <u>819,268</u>     | <u>515,357</u>    |
| End of year   | <u>\$ 748,023</u>  | <u>\$ 819,268</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW</b>  |                    |                   |
| In-kind contributions used for operating expense  | <u>\$ 6,164</u>    | <u>\$ 1,606</u>   |

The accompanying notes are an integral part of these financial statements.



THE BIOMIMICRY INSTITUTE  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

**NOTE 1. NATURE OF THE 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 seven member Board of Directors.

The primary purpose of TBI is to promote biomimicry as a new practice that studies nature's best ideas, abstracts the deep design principles, and then emulates these designs and processes to solve problems like pollution, drought, and climate change. Biomimicry is a turnaround strategy for our species, a way for humans to fit in and flourish on this planet by emulating life's billions of years of brilliant designs and strategies. It is TBI's intent to spread knowledge of this new approach to sustainability, globally.

TBI accomplished these objectives in 2015 and 2014, through an on-line database of nature's solutions called AskNature.org, hosting multiple Design Challenges and education programs, and growing a global Network of regional biomimicry practitioners.

Ask Nature.org is the world's most comprehensive catalog of nature's solutions to the problems our species has created for itself. 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 issue humans face – like how to build densely populated environments, how to fly long distances with minimal fuel -- shares commonalities with the rest of the natural world. By understanding how natural adaptations work, innovators can mimic ideas that have thrived in balance with the Earth's complex systems.

The Design Challenges program has evolved 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 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 and accelerator round. The winners from these competitions go on to establish



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NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

**NOTE 1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

A. Organization, continued

early-stage efforts that act as proof points that biomimicry works. These efforts have now inspired new partner-led Design Challenges, with either industry-academia consortia or established foundations, or both.

Education 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. The Institute also produces a Biomimicry Toolkit for K-12 educators and a Toolbox for Design Challenge entrants or anyone desiring to apply the principles in a project-based learning environment. These free resources, along with an educator training course and webinars, are available online and downloaded thousands of times each year.

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.

Fundamentally, TBI remains the "go-to" place for press, academic, and informal inquiries about how to get started in biomimicry. Our free resources, accessible programs, online database, and strong community make the Biomimicry Institute an important tool in transforming the next generation of innovators and builders to look to nature and create a truly sustainable world.

B. Basis of Accounting

The financial statements of TBI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, TBI considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

THE BIOMIMICRY INSTITUTE  
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NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

**NOTE 1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

C. Cash and Cash Equivalents, continued

Total cash may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits at a particular bank from time to time. However, the excess is temporary and management does not feel that there is any material risk regarding deposits in excess of FDIC limits. At December 31, 2015 and 2014, \$462,394 and \$569,268 exceeded FDIC insured limits, respectively.

D. Property and Equipment

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. As of December 31, 2015 and 2014, TBI had \$1,734 and \$0 in property and equipment, and \$116 and \$0 of depreciation expense, respectively.

E. Net Asset Classification

In accordance with GAAP, TBI reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets.

*Unrestricted net assets* represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of TBI. This category includes amounts that have no donor-imposed restrictions or have been earned and expended according to donor and contract conditions.

*Temporarily restricted net assets* represent resources whose use is limited by donor-imposed restrictions that will either be met by actions of TBI or by the passage of time. As of December 31, 2015 and 2014, TBI had \$34,249 and \$77,524 in temporarily restricted net assets, respectively, related to three of its main programs.

*Permanently restricted net assets* represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained in perpetuity. As of December 31, 2015 and 2014, TBI had no permanently restricted net assets.



THE BIOMIMICRY INSTITUTE  
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NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

**NOTE 1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. There was \$6,164 and \$1,606 in contributed services for the years ended December 31, 2015 and 2014, respectively, which are recorded as public support in these financial statements.

H. Cost Allocation and Program Activities

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. The costs of providing program and administrative services have been summarized by function, based on estimates developed by management.

*Program Services* – Consists of funds expended for activities attributable to achieving mission accomplishment via various projects. (See Note 1.A.)

*Administration* – Consists of funds used to administer TBI and funds expended for activities that are not directly attributable to achieving mission accomplishment, such as accounting and administrative overhead costs.

*Fundraising* – Consists of funds used to generate financial resources for TBI.

I. Marketing and Promotion

TBI expenses marketing and promotion costs as incurred. Marketing expenses were \$10,649 and \$8,057 for the years ended December 31, 2015 and 2014, respectively.

THE BIOMIMICRY INSTITUTE  
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

**NOTE 1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

J. Use of Estimates

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

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 2015 and 2014. With few exceptions, TBI is no longer subject to tax examination by tax authorities for years before 2012.

L. Subsequent Events

The management has evaluated subsequent events through August 23, 2016, the date which the financial statements were available for issue.

M. Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the 2015 format. Net assets and changes in net assets are unchanged due to these reclassifications.

**NOTE 2. ACCOUNTS RECEIVABLE AND GRANTS RECEIVABLE**

Accounts receivable represent the amounts due for contract services and expense reimbursements. Services provided have a fixed fee which is determined by contractual agreements. Management reviews individual receivable periodically and writes off any receivable deemed uncollectible. Receivables are stated at unpaid balances. All amounts are considered collectible, therefore no provision for bad debts has been recorded. No interest is charged on accounts receivable.

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.



THE BIOMIMICRY INSTITUTE  
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NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

**NOTE 3. EMPLOYEE BENEFITS**

*401(k) Retirement Plan:* TBI employees may participate in an Internal Revenue Service 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 years ended December 31, 2015 and 2014, TBI contributed \$13,163 and \$15,181, 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 with medical insurance. The Health Plan has a \$3,000 deductible for individual and \$6,000 for family, whereby the first \$3,000 of medical expense annually for an individual is paid by the employee. Any cost in excess of the deductible is covered through an insurance policy from an insurance provider. TBI paid \$18,301 for insurance premiums for the year ended December 31, 2015, and \$24,491 for insurance premiums for the year ended December 31, 2014.

*Health reimbursement arrangement (HRA) plan:* On June 1, 2013, TBI adopted an Internal Revenue Service 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. 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, who 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. TBI charges individual projects for Paid Time Off (PTO) earned by employees. These accruals are recorded in a PTO Earned account; when an employee uses PTO benefits, the time is charged against this account. As of December 31, 2015 and 2014, the net accrued PTO liability was \$11,887 and \$18,903, respectively.

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**NOTE 4. DEFERRED REVENUE**

Deferred revenue consists of the unearned portion of grant awards and program service revenue. As of December 31, the activity in the deferred revenue account was as follows:

|   | 2015                     | 2014                     |
|---|--------------------------|--------------------------|
| Deferred Revenue, Beginning of Year       | \$ 225,156               | \$ 94,252                |
| Grant Awards Received                     | 260,000                  | 1,087,025                |
| Less: Grant Revenue Earned                | <u>(271,765)</u>         | <u>(955,861)</u>         |
| Gross Deferred Revenue, End of Year       | 213,391                  | 225,416                  |
| Adjusted for Foreign Exchange             | <u>0</u>                 | <u>(260)</u>             |
| Net Deferred Revenue                      | \$ <u>213,391</u>        | \$ <u>225,156</u>        |
|   |                          |                          |
| Deferred Revenue-Other, Beginning of Year | \$ 34,594                | \$ 0                     |
| Deferred Revenue-Other, Received          | 27,000                   | 50,000                   |
| Less: Deferred Revenue-Other, Earned      | <u>(50,580)</u>          | <u>(15,406)</u>          |
| Gross Deferred Revenue-Other, End of Year | <u>11,014</u>            | <u>34,594</u>            |
| Total Deferred Revenue                    | \$ <u><u>224,405</u></u> | \$ <u><u>259,750</u></u> |

**NOTE 5. LEASES**

TBI leased office space on a month to month basis from the Biomimicry Group, Inc. (See Note 7.) 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.

**NOTE 6. RISK MANAGEMENT**

TBI faces a number of risks including; (1) loss or damage to property, (2) general liability, (3) professional liability and (4) directors' and officers' liability. Commercial insurance policies are purchased for loss or damage resulting from these risks.



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**NOTE 7. 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. As of June 1, 2013, a revised resource sharing and services agreement was executed between TBI and BGI. According to the agreement, TBI shares facilities, equipment and overhead costs with BGI, and 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. In 2015, TBI began to slowly assume its own resources and decrease the amount of resources shared with BGI. TBI did not share occupancy expenses with BGI as of January 1, 2015.

TBI has also executed a licensing agreement with BGI that allows BGI to license intellectual property owned by TBI at fair market value. BGI paid 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. The licensing agreement was terminated in May 2015.

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 38 percent and 52 percent of TBI's revenues in 2015 and 2014, respectively.

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**NOTE 7. RELATED PARTIES, continued**

Goods and services purchased by TBI from BGI as of December 31 were:

|                              | 2015            | 2014             |
|------------------------------|-----------------|------------------|
| Computers                    | \$ 4,963        | \$ 9,963         |
| Dues, Fees and Subscriptions | 0               | 327              |
| Insurance                    | 0               | 935              |
| Meetings and Trainings       | 0               | 1,030            |
| Occupancy Expenses           | 0               | 16,016           |
| Office Expenses              | 806             | 4,466            |
| Payroll Expenses             | 3,017           | 14,284           |
| Total Allocated Expenses     | \$ <u>8,786</u> | \$ <u>47,021</u> |

Goods and services purchased by BGI from TBI as of December 31 were:

|                          | 2015             | 2014             |
|--------------------------|------------------|------------------|
| Licensing Fees           | \$ 5,761         | \$ 16,453        |
| Meetings and Trainings   | 25,923           | 51               |
| Payroll Expenses         | 388              | 56,842           |
| Total Allocated Expenses | \$ <u>32,072</u> | \$ <u>73,346</u> |

**NOTE 8. CONCENTRATION OF RISK**

TBI has a concentration regarding its revenue sources. For the years ended December 31, 2015 and 2014, one grantor accounted for 0 and 15 percent of TBI's total income, respectively. For the years ended December 31, 2015 and 2014, another grantor, which is from a foundation related to a minority owner of BGI, accounted for 38 and 52 percent of TBI's total income, respectively. A change in the amount or continuation of funding from these sources could have a significant affect on TBI's operations.