



THE BIOMIMICRY INSTITUTE
AUDITED FINANCIAL STATEMENTS
December 31, 2017 and 2016

THE BIOMIMICRY INSTITUTE
Missoula, Montana

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RANDALL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Biomimicry Institute
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of The Biomimicry Institute (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 & Company, P.C.

Randall & Company, P.C.
Missoula, Montana
August 27, 2018

FINANCIAL STATEMENTS

THE BIOMIMICRY INSTITUTE
Missoula, Montana

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	\$ 935,474	\$ 936,352
Accounts receivable	2,705	25,062
Grants receivable	35,000	0
Inventory	1,422	619
Prepaid expenses	19,825	28,158
Investments	50,067	0
Equipment	6,369	3,350
Accumulated Depreciation	(2,443)	(800)
TOTAL ASSETS	\$ 1,048,419	\$ 992,741
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 34,314	\$ 56,449
Accrued payroll and benefits	7,853	10,941
Accrued leave payable	26,036	25,150
Deferred revenue	254,813	233,118
TOTAL LIABILITIES	\$ 323,016	\$ 325,658
NET ASSETS		
Unrestricted	\$ 695,403	\$ 569,552
Temporarily restricted	30,000	97,531
TOTAL NET ASSETS	\$ 725,403	\$ 667,083
TOTAL LIABILITIES AND NET ASSETS	\$ 1,048,419	\$ 992,741

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, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
REVENUES		
Source of Funds for Mission Accomplishment		
Public support	\$ 899,485	\$ 846,789
Program service revenue	94,125	124,342
Licensing fees, other	1,874	8,216
Interest and dividends	3,772	695
Investment income	66	0
Net assets released from restrictions	97,531	67,749
TOTAL REVENUES	\$ 1,096,853	\$ 1,047,791
EXPENSES		
Funds Spent on Support Services		
Fundraising	\$ 101,645	\$ 166,049
Administrative	90,050	84,729
Total support services	191,695	250,778
Funds available for mission accomplishment	\$ 905,158	\$ 797,013
Funds Spent on Mission Accomplishment by Program		
AskNature	\$ 215,718	\$ 209,654
Design Challenges & Other Education Programs	563,589	474,290
Biomimicry Global Networks	0	11,828
Total program services expenses	\$ 779,307	\$ 695,772
TOTAL EXPENSES	\$ 971,002	\$ 946,550
CHANGE IN UNRESTRICTED NET ASSETS	\$ 125,851	\$ 101,241

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, 2017 and 2016

	2017	2016
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ 30,000	\$ 131,031
Net assets released from restrictions	(97,531)	(67,749)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	\$ (67,531)	\$ 63,282
CHANGE IN TOTAL NET ASSETS	\$ 58,320	\$ 164,523
NET ASSETS, Beginning of Year		
Unrestricted	\$ 569,552	\$ 468,311
Temporarily Restricted	97,531	34,249
TOTAL NET ASSETS, Beginning of Year	\$ 667,083	\$ 502,560
NET ASSETS, End of Year		
Unrestricted	\$ 695,403	\$ 569,552
Temporarily Restricted	30,000	97,531
TOTAL NET ASSETS, End of Year	\$ 725,403	\$ 667,083

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

THE BIOMIMICRY INSTITUTE
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STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

		<u>ASKNATURE</u>		<u>DESIGN CHALLENGES & OTHER EDUCATION PROGRAMS</u>		<u>FUNDRAISING</u>		<u>ADMINISTRATION & FINANCE</u>		<u>TOTAL EXPENSES</u>
Computer hardware & software	\$	4,512	\$	14,805	\$	1,543	\$	684	\$	21,544
Cost of goods sold		0		0		560		0		560
Depreciation		375		946		171		151		1,643
Dues, fees, & subscriptions		509		6,386		1,508		4,294		12,697
Insurance		442		1,115		200		3,592		5,349
Marketing & promotion		34		29,428		690		0		30,152
Meetings & conferences		5,269		25,052		5,633		4,829		40,783
Programmatic training & events		0		82,103		0		0		82,103
Staff training & education		533		1,644		241		215		2,633
Office expenses		2,054		9,103		1,988		2,415		15,560
Professional services		35,012		94,514		18,450		12,376		160,352
Payroll salaries & wages		166,978		298,493		70,661		61,494		597,626
Total	\$	<u>215,718</u>	\$	<u>563,589</u>	\$	<u>101,645</u>	\$	<u>90,050</u>	\$	<u>971,002</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, 2016

	<u>ASKNATURE</u>	DESIGN CHALLENGES & OTHER EDUCATION PROGRAMS	BIOMIMICRY GLOBAL NETWORK	<u>FUNDRAISING</u>	ADMINISTRATION & FINANCE	<u>TOTAL EXPENSES</u>
Computer hardware & software	\$ 3,769	\$ 15,611	\$ 353	\$ 1,756	\$ 805	\$ 22,294
Cost of goods sold	0	0	0	684	0	684
Depreciation	152	343	9	120	60	684
Dues, fees, & subscriptions	719	839	9	1,838	3,778	7,183
Insurance	757	1,712	43	597	2,233	5,342
Marketing & promotion	49	22,447	3,649	742	0	26,887
Meetings & conferences	3,567	14,203	545	4,361	603	23,279
Programmatic training & events	0	42,221	963	268	0	43,452
Office expenses	2,037	8,858	676	3,569	1,556	16,696
Professional services	104,432	78,557	566	45,140	11,116	239,811
Payroll salaries & wages	94,172	289,499	5,015	106,974	64,578	560,238
Total	<u>\$ 209,654</u>	<u>\$ 474,290</u>	<u>\$ 11,828</u>	<u>\$ 166,049</u>	<u>\$ 84,729</u>	<u>\$ 946,550</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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ 58,320	\$ 164,523
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	\$ 1,643	\$ 684
(Gain) loss on investments	99	0
Changes in operating assets and liabilities:		
Accounts receivable	\$ 22,357	\$ (23,655)
Grants receivable	(35,000)	-
Inventory	(803)	(619)
Prepaid expenses	8,333	(15,003)
Accounts payable and accrued expenses	(22,135)	39,442
Related party payables	-	(576)
Accrued payroll and benefits	(3,088)	3,057
Accrued leave	886	13,263
Deferred revenue	21,695	8,713
Total adjustments	(6,013)	25,306
Net cash flows from operating activities	\$ 52,307	\$ 189,829
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$ (50,166)	\$ 0
Purchase of equipment	(3,019)	(1,500)
Net cash flows from investing activities	\$ (53,185)	\$ (1,500)
Net change in cash and cash equivalents	\$ (878)	\$ 188,329
CASH AND CASH EQUIVALENTS		
Beginning of year	936,352	748,023
End of year	\$ 935,474	\$ 936,352
SUPPLEMENTAL DISCLOSURES OF CASH FLOW		
In-kind contributions used for operating expense	\$ 803	\$ 6,454

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, 2017 and 2016

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 empower people to create nature-inspired solutions for a healthy planet. TBI is governed by a Board of Directors.

The purpose of TBI is to naturalize biomimicry in the culture by promoting the transfer of ideas, designs, and strategies from biology to sustainable human systems design. TBI's goal is for biomimicry to become a natural part of the design process – for practitioners to study nature's best ideas, abstract the design principles, and emulate these designs and processes to solve problems like pollution, drought, and climate change. TBI promotes biomimicry as a turnaround strategy for our species, a way for humans to fit in and flourish on this planet by emulating the designs and strategies that have developed during billions of years of life on Earth. It is TBI's intent to spread knowledge of this approach to sustainability globally.

TBI accomplishes its objectives through an online database of nature's solutions called AskNature, by hosting multiple Design Challenges and education programs, by growing a global network of regional biomimicry practitioners, and through various communications and outreach efforts.

AskNature: The AskNature online library is a catalog of nature's solutions to the problems our species has created. It 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 that humans face – such as how to build densely populated environments, or how to fly long distances with minimal fuel – shares commonalities with the rest of the natural world. By using the information available via AskNature to understand how natural adaptations work, innovators can mimic ideas that have thrived in balance with the Earth's complex systems.

Design Challenges: This is TBI's primary program. Based on the success the organization found with the Biomimicry Student Design Challenge, in 2014 TBI created the Biomimicry Global Design Challenge, which invites student and professional teams competing in two separate tracts to apply biomimicry concepts and tools to arrive at a sustainable and innovative design solution to a real-world problem; the challenge also includes a design prototype and an accelerator round. The winners from these competitions have inspired new design challenges in partnership with either industry-academia consortia or established foundations, or both.

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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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

A. Organization, Continued

Education Programs: 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, as well as a Toolbox for Design Challenge entrants and anyone else desiring to apply biomimicry principles in a project-based learning environment. These free resources, along with an educator training course and webinars, are available online.

Global Network: TBI's global network comprises regional networks that partner with TBI to catalyze the application of biomimicry worldwide. Harnessing local resources and expertise, the network attracts and connects community leaders from different sectors to advance the application of biomimicry within their regions to build a global web of biomimicry leaders, practitioners, and informed citizens who are attempting to transform the world by emulating nature.

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.

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, 2017 and 2016, \$412,296 and \$462,394 exceeded FDIC insured limits, respectively.

D. Inventory

Inventory consist of clothing that are held for resale. Inventory is recorded at the lower of cost or market on the first-in, first-out method.

THE BIOMIMICRY INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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

E. 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, 2017 and 2016, TBI had \$6,369 and \$3,350 in property and equipment and \$2,443 and \$800 in accumulated depreciation, respectively. Depreciation expense totaled \$1,643 and \$684 for the years ended December 31, 2017 and 2016.

F. 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, 2017 and 2016, TBI had \$30,000 and \$97,531 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, 2017 and 2016, TBI had no permanently restricted net assets.

G. 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.

THE BIOMIMICRY INSTITUTE
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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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

H. 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 \$803 and \$6,454 in contributed services for the years ended December 31, 2017 and 2016, respectively, which are recorded as public support in these financial statements.

I. 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.

J. Marketing and Promotion

TBI expenses marketing and promotion costs as incurred. Marketing expenses were \$30,152 and \$26,887 for the years ended December 31, 2017 and 2016, respectively.

K. 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.

L. Income Taxes

TBI is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. With few exceptions, TBI's federal Return of Organization Exempt from Income Tax (Form 990) is not subject to examination by tax authorities for years prior to 2014.

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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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

M. Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets for 2016 are unchanged to these reclassifications. The reclassifications are due to the consolidation of the separate programs into only two large program segments for 2017. Since the Biomimicry Institute is an educational non-profit and all of our programs meet that objective, we restated our programs into two segments; (1) "Design Challenges and Other Educational Programs" and (2) "AskNature" for two reasons: (1) Design Challenges are a specific form of project-based learning that meet our educational goals as well as yielding inventions, some of which we may help advance into tangible form; and (2) AskNature itself is a library of biological strategies and inspired ideas, a living publication of bio-inspiration, but the platform also hosts all of our "Resources" which contain everything from curricula to videos to relevant papers or periodicals. Knowing that this programmatic designation needs to be appropriate for many years, and knowing that our design challenge platform is increasingly successful and spreading from K-12 to university and entrepreneurs and therefore not going away, we changed our labeling accordingly.

N. Subsequent Events

Management has evaluated subsequent events through August 27, 2018, the date on which the financial statements were available for issue.

NOTE 2. ACCOUNTS RECEIVABLE AND GRANTS RECEIVABLE

Accounts receivable represents amounts due for contract services and expense reimbursements. Services provided have a fixed fee which is determined by contractual agreements. Management periodically reviews individual receivables and writes off any receivable deemed uncollectible. There were no receivables considered past due at December 31, 2017 and 2016. Receivables are stated at unpaid balances. No interest is charged on accounts receivable. All amounts are considered collectible, therefore no provision for bad debts has been recorded.

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.

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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 3. INVESTMENTS

A framework for measuring fair value and defining fair value is provided by GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels, as described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly, or indirectly.

Level 3 – Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

TBI's policy for determining the timing of significant transfers between Levels 1 and 2 is at the end of the reporting period.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by TBI are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by TBI are deemed to be actively traded.

Cost, or amortized cost, and fair value on investments at December 31, 2017 is as follows:

	Fair Value	Cost
Investments at 12/31/17		
Mutual Funds (Level 1)	\$ 50,067	\$ 50,165

Investment income for the year ending December 31, 2017 is as follows:

Interest and Dividends	\$ 165
Unrealized Gain (Loss)	(99)
Total Investment Income	\$ 66

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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 4. 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, 2017 and 2016, TBI contributed \$17,598 and \$16,377, 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 \$3,600 deductible for individual and \$7,200 for family, whereby the first \$3,600 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 \$28,543 for insurance premiums for the year ended December 31, 2017 and \$19,484 for insurance premiums for the year ended December 31, 2016.

Paid Time Off (PTO): TBI's regular part-time and full-time employees who work 20 hours or more per week and have completed at least 90 days of continuous service are eligible for PTO benefits. PTO benefits accrue at rates between 216 and 336 hours per year; employees can accumulate up to a maximum of 120 to 180 hours, depending on the 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 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, 2017 and 2016, the net accrued PTO liability was \$26,036 and \$25,150, respectively.

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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 5. 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:

	<u>2017</u>	<u>2016</u>
Deferred Revenue, Beginning of Year	\$ 206,618	\$ 213,391
Grant Awards Received	600,000	260,000
Less: Grant Revenue Earned	<u>(551,805)</u>	<u>(266,773)</u>
Gross Deferred Revenue, End of Year	<u>254,813</u>	<u>206,618</u>
Net Deferred Revenue	\$ <u>254,813</u>	\$ <u>206,618</u>
Deferred Revenue-Other, Beginning of Year	\$ 26,500	\$ 11,014
Deferred Revenue-Other, Received	65,000	113,500
Less: Deferred Revenue-Other, Earned	<u>(91,500)</u>	<u>(98,014)</u>
Gross Deferred Revenue-Other, End of Year	<u>0</u>	<u>26,500</u>
Total Deferred Revenue	\$ <u>254,813</u>	\$ <u>233,118</u>

NOTE 6. RELATED PARTIES

Until July 1, 2016, TBI shared resources and common costs in a mutually beneficial agreement with the Biomimicry Group, Inc. (BGI), a for-profit enterprise whose majority shareholder is TBI's founder and a former board member of. As of June 1, 2013, a revised resource sharing and services agreement was executed between TBI and BGI. According to the agreement, TBI shared facilities, equipment, and overhead costs with BGI, and common costs and shared employees were allocated to each entity based on the actual costs incurred, hours worked, square footage, or another basis that was 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. The agreement was terminated effective July 1, 2016. Prior to the termination of this agreement, TBI had purchases from BGI totaling \$1,458 recorded as office expense and not sales transactions. No transactions have occurred with BGI since the termination of this agreement.

TBI also receives substantial funding from a foundation that is related to a minority non-voting owner of BGI (See Note 7).

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NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 7. 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.

TBI faces a risk related to concentration of revenue sources. One grantor, which is a foundation related to a minority owner of BGI, accounted for 36 and 38 percent of TBI's total income for the years ended December 31, 2017 and 2016, respectively. A change in the amount or continuation of funding from this source could have a significant effect on TBI's operations.