



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
CENTER FOR ACTION AND CONTEMPLATION, INC.

December 31, 2017 and 2016

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Center for Action and Contemplation, Inc.
Official Roster (Unaudited)
December 31, 2017

Board of Directors:

Phil Robers, Chair

Richard Rohr, Vice Chair

John Willome, Treasurer

Phileena Heuertz, Secretary

Christopher Ferebee, Director

Damien Faughnan, Director

Jean Esposito, Director

LaVera Crawley, Director

Alexie Torres-Fleming, Director

Michelle Scheidt, Director

Administrative Officers:

Michael Poffenberger, Executive Director

Corinne Carmony, Director of Finance and Operations

Report of Independent Auditors

The Board of Directors
Center for Action and Contemplation, Inc.
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the Center for Action and Contemplation, Inc. (Center) (a non-profit organization) which comprise the statement of financial positions as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Center for Action and Contemplation, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Center for Action and Contemplation, Inc. as of and for the year ended December 31, 2016, were audited by other auditors whose report dated April 25, 2017, expressed an unmodified opinion on those statements.

Mess Adams LLP

Albuquerque, New Mexico
May 2, 2018

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Center for Action and Contemplation, Inc.
Statement of Financial Position

ASSETS

| | December 31, | |
|-------------------------------|----------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 584,543 | \$ 516,140 |
| Investments | 6,745,450 | 5,593,311 |
| Receivables | 1,482,482 | 184,458 |
| Inventory | 115,402 | 116,820 |
| Prepaid expenses | <u>81,811</u> | <u>77,194</u> |
| Total current assets | <u>9,009,688</u> | <u>6,487,923</u> |
| OTHER ASSETS | | |
| Land held for sale | <u>2,000</u> | <u>202,000</u> |
| Total other assets | <u>2,000</u> | <u>202,000</u> |
| PROPERTY AND EQUIPMENT | | |
| Land | 559,977 | 283,000 |
| Buildings and improvements | 1,122,981 | 1,034,449 |
| Equipment and furniture | <u>431,413</u> | <u>442,930</u> |
| Total property and equipment | <u>2,114,371</u> | <u>1,760,379</u> |
| Less accumulated depreciation | <u>(617,200)</u> | <u>(669,493)</u> |
| | <u>1,497,171</u> | <u>1,090,886</u> |
| Total assets | <u>\$ 10,508,859</u> | <u>\$ 7,780,809</u> |

Center for Action and Contemplation, Inc.
Statement of Financial Position

LIABILITIES AND NET ASSETS

| | December 31, | |
|---------------------------------------------------|---------------|--------------|
| | 2017 | 2016 |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 53,543 | \$ 100,359 |
| Accrued payroll liabilities | 163,006 | 110,817 |
| Unearned revenue | 191,452 | 424,355 |
| Current portion of capital lease | 7,396 | 11,618 |
| Other liabilities | 105,878 | 26,564 |
| Total current liabilities | 521,275 | 673,713 |
| NON-CURRENT LIABILITIES | | |
| Capital lease - long-term portion | - | 7,396 |
| Land proceeds pledged to others | - | 100,000 |
| Total liabilities | 521,275 | 781,109 |
| NET ASSETS | | |
| Unrestricted | | |
| Board Designated for emergency reserve | 1,800,000 | - |
| Board Designated for strategic initiative reserve | 3,584,433 | - |
| Board Designated for general scholarships | 200,000 | |
| Investment in property and equipment | 1,489,775 | 1,071,872 |
| Other | 2,811,441 | 5,902,810 |
| Total unrestricted | 9,885,649 | 6,974,682 |
| Temporarily restricted | 101,935 | 25,018 |
| Total net assets | 9,987,584 | 6,999,700 |
| Total liabilities and net assets | \$ 10,508,859 | \$ 7,780,809 |

Center for Action and Contemplation, Inc.

Statement of Activities

| | Year Ended December 31, 2017 | | | Year Ended December 31, 2016 |
|----------------------------------------------|------------------------------|---------------------------|--------------|------------------------------------|
| | Unrestricted | Temporarily Restricted | Total | |
| PROGRAM REVENUES AND SUPPORT | | | | |
| Contributions | \$ 4,775,077 | \$ 290,134 | \$ 5,065,211 | \$ 3,030,560 |
| Conferences | 1,014,093 | - | 1,014,093 | 396,390 |
| Living school | 601,342 | - | 601,342 | 457,350 |
| Royalties | 357,354 | - | 357,354 | 272,211 |
| Investment income, net | 61,093 | - | 61,093 | 31,690 |
| Services | 11,148 | - | 11,148 | 10,860 |
| Other | 29,924 | - | 29,924 | 4,123 |
| Total program revenues and support | 6,850,031 | 290,134 | 7,140,165 | 4,203,184 |
| BOOK AND MEDIA REVENUES | | | | |
| Sales | 1,281,738 | - | 1,281,738 | 1,440,907 |
| Cost of sales | (182,507) | - | (182,507) | (227,284) |
| Gross profit | 1,099,231 | - | 1,099,231 | 1,213,623 |
| Net assets released from restrictions | 213,217 | (213,217) | | |
| Total support and revenues | 8,162,479 | 76,917 | 8,239,396 | 5,416,807 |
| EXPENSES AND LOSSES | | | | |
| Program | 3,540,638 | - | 3,540,638 | 3,075,497 |
| Administrative | 1,437,685 | - | 1,437,685 | 504,040 |
| Fundraising | 266,722 | - | 266,722 | 412,436 |
| Total expenses before other expense (income) | 5,245,045 | - | 5,245,045 | 3,991,973 |
| OTHER EXPENSE (INCOME) | | | | |
| Unrealized loss on investments | 14,759 | - | 14,759 | 30,477 |
| (Gain) loss on land held for sale | (8,292) | - | (8,292) | 152,000 |
| Total other expense | 6,467 | - | 6,467 | 182,477 |
| Total expenses | 5,251,512 | - | 5,251,512 | 4,174,450 |
| Change in net assets | 2,910,967 | 76,917 | 2,987,884 | 1,242,357 |
| Net assets, beginning of year | 6,974,682 | 25,018 | 6,999,700 | 5,757,343 |
| Net assets, end of year | \$ 9,885,649 | \$ 101,935 | \$ 9,987,584 | \$ 6,999,700 |

Center for Action and Contemplation, Inc. Statement of Functional Expenses

| | Year Ended December 31, 2017 | | | Year Ended December 31, 2016 | |
|------------------------------------------------------|------------------------------|-------------------------------|-------------------|------------------------------------|---------------------|
| | Program Services | Administrative and General | Fundraising | | Total |
| Salaries | \$ 1,391,515 | \$ 727,823 | \$ 100,063 | \$ 2,219,401 | \$ 1,387,917 |
| Employee benefits | 176,555 | 87,275 | 8,912 | 272,742 | 175,346 |
| Payroll taxes | 111,803 | 59,346 | 8,381 | 179,530 | 144,882 |
| | <u>1,679,873</u> | <u>874,444</u> | <u>117,356</u> | <u>2,671,673</u> | <u>1,708,145</u> |
| Professional services | 477,690 | 250,202 | 12,061 | 739,953 | 610,631 |
| Postage | 108,140 | 1,025 | 17,638 | 126,803 | 208,442 |
| Printing and copies | 52,898 | 693 | 38,153 | 91,744 | 80,039 |
| Information technology | 175,578 | 91,578 | 13,568 | 280,724 | 254,663 |
| Office expenses | 7,960 | 7,389 | 5,228 | 20,577 | 16,421 |
| Conferences | 343,283 | 1,634 | 124 | 345,041 | 272,774 |
| Bank Fees | 91,000 | (172) | 48,488 | 139,316 | 185,136 |
| Maintenance | 32,480 | 37,531 | 2,848 | 72,859 | 62,310 |
| Utilities | 27,440 | 32,352 | 2,409 | 62,201 | 25,611 |
| Insurance | - | 19,898 | - | 19,898 | 23,042 |
| Professional development | 17,835 | 14,325 | 1,315 | 33,475 | 13,684 |
| Royalties | 16,095 | - | - | 16,095 | 14,294 |
| Scholarship expense | 214,284 | - | - | 214,284 | 212,665 |
| Travel | 75,914 | 12,429 | 2,604 | 90,947 | 47,754 |
| Advertising | 1,253 | 16,983 | - | 18,236 | 7,021 |
| Meals and entertainment | 15,441 | 8,432 | 678 | 24,551 | 19,605 |
| Board meetings | - | 12,105 | - | 12,105 | 9,400 |
| Donations | 135,679 | 840 | 3 | 136,522 | 97,402 |
| Production cost | 21,209 | 962 | 73 | 22,244 | 27,736 |
| | <u>3,494,052</u> | <u>1,382,650</u> | <u>262,546</u> | <u>5,139,248</u> | <u>3,896,775</u> |
| Total expense before depreciation and other gains | | | | | |
| Depreciation | <u>46,586</u> | <u>55,035</u> | <u>4,176</u> | <u>105,797</u> | <u>95,198</u> |
| | <u>\$ 3,540,638</u> | <u>\$ 1,437,685</u> | <u>\$ 266,722</u> | <u>\$ 5,245,045</u> | <u>\$ 3,991,973</u> |
| Total expenses | | | | | |

Center for Action and Contemplation, Inc.

Statement of Cash Flows

| | Years Ended December 31, | |
|----------------------------------------------------------------------------------------|--------------------------|--------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from: | | |
| Contributions | \$ 3,750,152 | \$ 3,030,560 |
| Conferences | 705,649 | 396,390 |
| Living school | 610,564 | 457,350 |
| Royalties | 357,354 | 464,178 |
| Interest income | 25,528 | 45,532 |
| Other | 143,671 | 14,983 |
| Sales | 1,298,059 | 1,440,907 |
| Cash paid to suppliers and employees | (5,240,268) | (4,168,925) |
| Net cash provided by operating activities | 1,650,709 | 1,680,975 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale property and equipment | 110,572 | - |
| Purchases of property and equipment | (514,364) | (43,476) |
| Proceeds from sale of investments | 478,504 | 235,888 |
| Purchases of investments | (1,645,400) | (1,775,100) |
| Net cash used by investing activities | (1,570,688) | (1,582,688) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of capital lease | (11,618) | (7,511) |
| Net change in cash | 68,403 | 90,776 |
| Cash and cash equivalents, beginning of year | 516,140 | 425,364 |
| Cash and cash equivalents, end of year | \$ 584,543 | \$ 516,140 |
| RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,987,884 | \$ 1,242,357 |
| Depreciation expense | 105,797 | 95,198 |
| Unrealized loss on investments | 14,759 | 31,208 |
| (Gain) loss on land held for sale | (8,292) | 152,000 |
| Changes in assets and liabilities | | |
| Prepaid expenses | (4,617) | (39,805) |
| Inventory | 1,418 | 903 |
| Accounts payable | (46,816) | (22,577) |
| Accrued payroll and other liabilities | 131,503 | 29,724 |
| Receivables | (1,298,024) | (35,025) |
| Unearned revenue | (232,903) | 226,992 |
| | \$ 1,650,709 | \$ 1,680,975 |

Center for Action and Contemplation, Inc. Notes to Financial Statements

Note 1 – Organization

Nature of Activities

The Center for Action and Contemplation, Inc. (Center) is a center for experiential education, rooted in the Gospels, encouraging the transformation of human consciousness through contemplation and equipping people to be instruments of peaceful change in the world.

This is lived out in a variety of ways:

- Connection with people on all 6 continents through webcasts, periodic emails and events.
- Daily engagement with 275,000 people through email Daily Meditations.
- Quarterly engagement with 29,000 people through our Mendicant newsletter.
- Regular opportunities for connection with multiple constituencies through about 1-2 events a year.
- Enrichment of incalculable numbers of people through Richard Rohr's body of work, including products currently available for sale.
- In the year 2017, the Center offered 50 book titles and 172 recording titles (CD/DVD/MP3/and MP4).

Note 2 – Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader:

Net Asset Classifications

Unrestricted and Board Designated Net Assets

Undesignated, unrestricted net assets are used to account for all resources over which the Board of Directors has discretionary control. The unrestricted net assets represent the investment in unrestricted assets and amounts invested in property and equipment, less accumulated depreciation and amortization and any related debt. As of December 31, 2017, \$5,584,433 had been designated by the Board of Directors for special purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of The Center pursuant to those stipulations. See Note 8 for the temporarily restricted net asset balance.

Permanently Restricted Net Assets

Permanently restricted net assets result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Center. At December 31, 2017, the Center reported no permanently restricted net assets.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Receivables

Receivables represent amounts due from royalty payments and in 2017, an irrevocable trust. All receivables are deemed fully collectible and therefore no allowance is deemed necessary.

Investments

Investments consist of marketable investments which are recorded at fair value in accordance with ASC 820 *Fair Value Measurements and Disclosures* (Note 3). Realized and unrealized gains and losses are recognized in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Land Held for Sale

Land held for sale is stated at lower of cost or fair value.

Property, Equipment and Depreciation

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Expenditures for property and equipment with a cost of \$1,000 or more and with a useful life of one year or greater are capitalized and depreciated on a straight-line basis over their estimated useful life. Items with a cost of less than \$1,000 are expensed in the year of acquisition. The major classifications of property and equipment and the related depreciable lives are as follows:

| Description | Estimated Useful Lives |
|----------------------------|------------------------|
| Equipment and furniture | 3-7 years |
| Buildings and improvements | 7-40 years |

Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized.

Note 2 – Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Center accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections *Accounting for the Impairment of Long-Lived Assets*. The provision requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2017 and 2016.

Inventory

The Center's inventory includes books, media (including CDs, DVDs, MP3s and other multi-media materials) and other miscellaneous items for sale. Inventory is stated at cost.

Prepaid Expenses

Prepaid expenses consist mainly of prepaid insurance, prepaid IT services, and prepaid postage.

Contributions

The Center for Action and Contemplation, Inc. has adopted FASB ASC 958-605, *Not-for-Profit Entities; Revenue Recognition*. All contributions are considered available for the Center's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. Donated stocks, bonds or other securities are recorded at the fair market value on the date of the gift.

Gifts of long-lived assets are reported as unrestricted support unless the donor has restricted the use of the assets for specific purposes. Long-lived assets with explicit restrictions and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributed long-lived assets are recorded at their fair market value on the date of receipt.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

Donated Services and Materials

A substantial number of volunteers have made significant contributions of their time in the furtherance of the Center's activities. The value of this contributed time is not reflected in these statements as it does not meet the criteria for recognition under accounting principles generally accepted in the United States of America. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Advertising

The Center expenses advertising costs as they are incurred, which were \$18,236 and \$7,021 in 2017 and 2016, respectively.

Reclassifications

Certain prior year amounts may have been reclassified to be consistent with the current year presentation.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

Accounting Method

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, *Financial Statements of Not-for-Profit Centers*. Under FASB ASC 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Center also may designate certain unrestricted net assets of the Center to be used for special purposes.

Federal Income Tax

The Center has adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The Center recognizes the tax (benefit) expense from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. Any such tax (benefit) expense is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Center had no unrecognized tax benefits at December 31, 2017 or 2016. The Center files an exempt organization return with the Internal Revenue Service (IRS). It is not a "private foundation" for tax purposes. The Center had no taxable unrelated business income for the years ended December 31, 2017 and 2016. Accordingly, a provision for income taxes has not been established in the accompanying financial statements.

Center for Action and Contemplation, Inc. Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Recent Accounting Pronouncements – ASU 2016-14

The FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) during August 2016. ASU 2016-14 revises the current net asset classification requirements and information presented in financial statements and notes about a non-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. Management is evaluating the effect that implementation of ASU 2016-14 will have on the financial statements of the Center.

Note 3 – Investments and Fair Value Measurements

Investments consist of Investments and Land. Accounting Standard Codification 820, *Fair Value Measurements and Disclosure*, establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value into three broad levels. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The objective of the fair value measurement is to determine 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. Valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

Note 3 – Investments and Fair Value Measurements (continued)

The fair value hierarchy prioritizes the inputs into valuation techniques to measure fair value into three broad levels. They are as follows:

Level 1 – are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 – are unobservable inputs for the asset or liability that are inputs that reflect the Center's own assumptions about the assumptions market participants would use in pricing the asset or liability.

The fair value hierarchy gives the highest priority for quoted prices (unadjusted) in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The Government Agency and US Treasury notes and bonds are United States Government issues that generally have maturities of one year or less and are valued based on various pricing sources.

Money Market Funds – classifications consist of investments in various funds that have differing investment goals that are traded in an active market.

A summary of investment accounts are as follows are consist of all Level 1 investments:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|---------------------|---------------------|
| Government agency | \$ 4,621,705 | \$ 4,129,549 |
| U.S. Treasury notes and bonds | 2,013,795 | 1,432,989 |
| Money market funds | 108,881 | 30,773 |
| Common Stock | <u>1,069</u> | <u>-</u> |
| Total investments | <u>\$ 6,745,450</u> | <u>\$ 5,593,311</u> |

During 2016, a portion of the land was re-appraised, resulting in a reduction of \$300,000 to its value. In 2017, the appraised portion of the land was sold.

This asset is identified as a Level 2 type asset. The asset is summarized as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------|-----------------|-------------------|
| Land held for sale | <u>\$ 2,000</u> | <u>\$ 202,000</u> |

Center for Action and Contemplation, Inc.
Notes to Financial Statements

Note 4 – Accounts Receivable

The accounts receivable account consists mainly of royalties receivable and other as follows:

| | <u>2017</u> | <u>2016</u> |
|----------------------|---------------------|-------------------|
| Royalties receivable | \$ 170,999 | \$ 183,760 |
| Other receivables | <u>1,311,483</u> | <u>698</u> |
| Total receivables | <u>\$ 1,482,482</u> | <u>\$ 184,458</u> |

The Center is the beneficiary of an irrevocable trust of \$1,310,000. This is included in other receivables and is expected to be received in April, 2018. As this donation is considered unrestricted and amounts are to be received shortly after year end, the amount was recorded in unrestricted revenue for the year ended December 31, 2017.

Note 5 – Property and Equipment

A summary of property and equipment, reported at cost at December 31, 2017 is as follows:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------------|---------------------|---------------------|
| Building and improvements | \$ 1,122,981 | \$ 1,034,449 |
| Furniture and equipment | <u>431,413</u> | <u>442,930</u> |
| Subtotal | 1,554,394 | 1,477,379 |
| Less accumulated depreciation | <u>(617,200)</u> | <u>(669,493)</u> |
| Subtotal depreciable property and equipment | 937,194 | 807,886 |
| Land | <u>559,977</u> | <u>283,000</u> |
| Net property and equipment | <u>\$ 1,497,171</u> | <u>\$ 1,090,886</u> |

Depreciation expense was \$105,797 and \$95,198 for the years ended December 31, 2017 and 2016, respectively.

Note 6 – Compensated Absences

The Center allows its employees to accrue time off with pay, beginning on their date of hire. Employees accrue paid time off pro-rated based on their years of service. The maximum amount of accrued leave is limited to 120 hours, 160 hours or 200 hours depending upon years of service, and up to 80 hours is paid out upon termination. As of December 31, 2017 and 2016, employees' accrued leave totaled \$62,162 and \$31,457, respectively.

Center for Action and Contemplation, Inc.

Notes to Financial Statements

Note 7 – Lease Commitments

During 2014, the Center entered into two capital lease agreements for 48 months. The payment schedule is as follows:

| | | |
|------|----|-------|
| 2018 | \$ | 7,396 |
|------|----|-------|

Note 8 – Temporarily Restricted Net Assets

For the year ended December 31, 2017 and 2016, the Center had \$101,935 and \$25,018, respectively in temporarily restricted assets. The funds are restricted for the Living School and general scholarships.

Note 9 – Sales and Cost of Goods Sold

Sales and cost of goods sold are as follows:

| | <u>2017</u> | <u>%</u> | <u>2016</u> | <u>%</u> |
|----------------------------|---------------------|-------------|---------------------|-------------|
| Sales | \$ 1,281,738 | 100% | \$ 1,440,907 | 100% |
| COGS - production supplies | <u>(182,507)</u> | <u>-14%</u> | <u>(227,284)</u> | <u>-16%</u> |
| | <u>\$ 1,099,231</u> | <u>86%</u> | <u>\$ 1,213,623</u> | <u>84%</u> |

Note 10 – Note Receivable

The Center extended one loan to the New Mexico Community Development Loan Fund in 2013 with the amount of \$10,000. The loan had a one-year term, but was extended each year until 2016. In 2016, the Center decided to convert the loan to a permanent donation.

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Notes to Financial Statements

Note 11 – Land Proceeds Pledged to Others

The Center has pledged ½ the proceeds of the land held for sale (excluding the land in Socorro, which is valued at \$2,000) to the non-profit organization Illuman, a 501(c)(3) Organization. This land was sold in 2017, and therefore this pledge was fulfilled, as of December 31, 2017.

Note 12 – Scholarship Commitments

The Center awards multiple-year for some scholarship recipients, which are considered conditional scholarships until school enrollment is complete and tuition is due and are not accrued in the accompanying consolidated financial statements. Scholarship commitments approved during 2017 or prior years for future funding subject to future conditions are \$167,300 for the year ending December 31, 2017.

Note 13 – Economic Dependency

The Center receives a significant portion of its revenue from contributions, conferences, royalties, and sales of books and recordings. Most of the inventory as well as the royalty proceeds are from materials authored by the founder. The founder is also involved in teaching the conferences and the Living School. If the founder were to separate from the organization, it is possible that the revenues noted above would be greatly diminished. It is also possible that contributions would be significantly diminished as well under these circumstances. As of the issuance of these financial statements, such a separation is not expected in the foreseeable future. The Board of Directors approved a strategic plan in July, 2016 which addresses the future of the Center when the founder is no longer actively involved. This plan is being implemented which includes the addition of two new core faculty in January of 2017.

| | <u>2017</u> | <u>%</u> | <u>2016</u> | <u>%</u> |
|-----------------------------------|---------------------|-------------|---------------------|-------------|
| Contributions | \$ 5,065,211 | 61% | \$ 3,030,560 | 56% |
| Conferences | 1,014,093 | 12% | 396,390 | 7% |
| Living school | 601,342 | 7% | 457,350 | 8% |
| Royalties | 357,354 | 4% | 272,211 | 5% |
| Investment income, net | 61,093 | 1% | 31,690 | 1% |
| Services | 11,148 | 0% | 10,860 | 0% |
| Other | 29,924 | 0% | 4,123 | 0% |
| Gross profit from inventory sales | <u>1,099,231</u> | <u>13%</u> | <u>1,213,623</u> | <u>23%</u> |
| Total support and revenues | <u>\$ 8,239,396</u> | <u>100%</u> | <u>\$ 5,416,807</u> | <u>100%</u> |

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Notes to Financial Statements

Note 14 – Subsequent Events

Subsequent events are events or transactions that occur after the Statements of Financial Position date but before the financial statements are issued. The organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing the financial statements. The organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Center has evaluated subsequent events through May 2, 2018, which is the date the financial statements were available to be issued.