



PERCEPTION INSTITUTE, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

PERCEPTION INSTITUTE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Perception Institute, Inc.
Brooklyn, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Perception Institute, Inc., which comprise the statements of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Perception Institute, Inc. as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Perception Institute, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Perception Institute, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Perception Institute, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Perception Institute, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Pettit & Company, LLC

Indianapolis, Indiana
June 4, 2024

PERCEPTION INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

ASSETS

| | |
|---------------------------|-----------------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 282,213 |
| Grants receivable | 600,000 |
| Contracts receivable | 149,161 |
| Other receivable | 38 |
| Prepaid expenses | 15,953 |
| | <hr/> |
| Total assets | <u><u>\$ 1,047,365</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---|-----------------------------------|
| Current liabilities | |
| Accounts payable | \$ 320,440 |
| | <hr/> |
| Total liabilities | <u>320,440</u> |
| Net assets | |
| Without restrictions | 353,999 |
| With restrictions | 372,926 |
| | <hr/> |
| Total net assets | <u>726,925</u> |
| Total liabilities and net assets | <u><u>\$ 1,047,365</u></u> |

The accompanying notes are an integral part of these financial statements

PERCEPTION INSTITUTE, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------------------|
| Revenue and support | | | |
| Grants | \$ 1,133,000 | \$ - | \$ 1,133,000 |
| Contract revenue | 1,134,794 | - | 1,134,794 |
| Contributions | 1,262 | - | 1,262 |
| Other income | 22,420 | - | 22,420 |
| Net assets released from restrictions | | | |
| Satisfaction of program requirements | 101,415 | (101,415) | - |
| Total revenue and support | <u>2,392,891</u> | <u>(101,415)</u> | <u>2,291,476</u> |
| Expenses | | | |
| Program | 1,739,678 | - | 1,739,678 |
| Management and general | 250,626 | - | 250,626 |
| Fund raising | 302,460 | - | 302,460 |
| Total expenses | <u>2,292,764</u> | <u>-</u> | <u>2,292,764</u> |
| Change in net assets | <u>100,127</u> | <u>(101,415)</u> | <u>(1,288)</u> |
| Net assets - beginning of year | <u>253,872</u> | <u>474,341</u> | <u>728,213</u> |
| Net assets - end of year | <u><u>\$ 353,999</u></u> | <u><u>\$ 372,926</u></u> | <u><u>\$ 726,925</u></u> |

The accompanying notes are an integral part of these financial statements

PERCEPTION INSTITUTE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | <u>Program</u> | <u>Management and General</u> | <u>Fund Raising</u> | <u>Total</u> |
|-------------------------|---------------------|-----------------------------------|-------------------------|---------------------|
| Salaries | \$ 864,483 | \$ 120,067 | \$ 216,121 | \$ 1,200,671 |
| Employee benefits | 93,549 | 12,993 | 23,387 | 129,929 |
| Payroll taxes | 59,672 | 8,288 | 14,918 | 82,878 |
| Travel | 23,715 | 8,023 | - | 31,738 |
| Insurance | 6,155 | 855 | 1,539 | 8,549 |
| Internet | 16,998 | 2,361 | 4,250 | 23,609 |
| Professional fees | 38,176 | 5,302 | 9,544 | 53,022 |
| Subcontractors | 429,119 | 51,046 | - | 480,165 |
| Meetings | 118 | 2,292 | - | 2,410 |
| Telephone | 3,484 | - | - | 3,484 |
| Staff development | 1,688 | 35 | - | 1,723 |
| Computer and technology | 41,955 | 10,245 | - | 52,200 |
| Conferences | 4,738 | - | - | 4,738 |
| Office supplies | 257 | 765 | - | 1,022 |
| Bank charges | - | 350 | - | 350 |
| Program materials | 366 | - | - | 366 |
| Advertising | - | - | 21,655 | 21,655 |
| Personnel expenses | 110,731 | 19,541 | - | 130,272 |
| Payroll processing fees | 44,183 | 6,137 | 11,046 | 61,366 |
| Other expense | 291 | 2,326 | - | 2,617 |
| | <u>\$ 1,739,678</u> | <u>\$ 250,626</u> | <u>\$ 302,460</u> | <u>\$ 2,292,764</u> |
| Total expenses | <u>\$ 1,739,678</u> | <u>\$ 250,626</u> | <u>\$ 302,460</u> | <u>\$ 2,292,764</u> |

The accompanying notes are an integral part of these financial statements

PERCEPTION INSTITUTE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | |
|---|---------------------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ (1,288) |
| (Increase) decrease in assets | |
| Grants receivable | (450,000) |
| Contracts receivable | 82,859 |
| Other receivable | (38) |
| Prepaid expenses | (15,953) |
| Increase (decrease) in liabilities | |
| Accounts payable | <u>84,052</u> |
| Net cash provided by (used in) operating activities | <u>(300,368)</u> |
| Net increase (decrease) in cash and cash equivalents | (300,368) |
| Cash and cash equivalents, beginning of year | <u>582,581</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 282,213</u></u> |
| Supplemental schedule of cash flow information | |
| Interest paid | <u><u>\$ -</u></u> |

PERCEPTION INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Perception Institute, Inc. (the “Organization”) creates real-world solutions from cutting-edge mind science research to reduce discrimination and other harms link to race, gender, and other identity differences.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Preparation of the Financial Statements

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization's cash and cash equivalents consist of a checking account. The Organization maintains the account at a commercial bank. The account is insured by the Federal Deposit Insurance Corporation. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

Risks and Uncertainties

In 2023, the two largest grantors accounted for 38% of total support and revenue.

Grants Receivable

Grants receivable consists of grant revenue expected to be received shortly after year-end. Management considers grants receivable at December 31, 2023, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

PERCEPTION INSTITUTE, INC.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts Receivable

All receivables are reported at their outstanding balances. Management periodically evaluates the collectability of receivable accounts by considering the Organization's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a client's ability to pay, and current economic conditions. Accounts receivable are charged off against an allowance account based on management's case-by case determination that they are uncollectible. Management believes all significant accounts receivable are collectible, and therefore, no allowance for doubtful accounts has been established for the year ended December 31, 2023.

Functional Expenses

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

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for the year ended December 31, 2023. If the situation arose in which the Organization would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2023.

Support and Revenues

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Revenue funded by contracts, which represents revenue from exchange transactions, is recognized as the Organization performs the contracted services. Support funded by grants is recognized when the contributions are made. Grant expenditures are subject to audit and acceptance by the granting agency, and adjustments could be required as a result of such audit. Support and revenue with donor-imposed restrictions which are met in the same reporting period are reported as net assets without donor restrictions in the statement of activities.

Advertising

Advertising cost are charged to operations as incurred. No advertising costs were incurred for the year ended December 31, 2023. Advertising costs totaled \$21,655 for the year ended December 31, 2022.

PERCEPTION INSTITUTE, INC.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management's Review of Subsequent Events

The Management has performed an analysis of the activities and transactions subsequent to December 31, 2023, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2023. Management has performed their analysis of subsequent events through June 4, 2024, the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position. Financial assets available for general expenditure, which is without donor or other restrictions limiting their use within one year of the statements of financial position date, comprise the following:

Financial assets at year-end:

| | |
|---|-------------------|
| Cash and cash equivalents | \$ 282,213 |
| Grants receivable | 600,000 |
| Contracts receivable | 149,161 |
| Other receivable | <u>38</u> |
| Total financial assets | <u>1,031,412</u> |
| Less amounts not available to be used within one year: | |
| Net assets with donor restrictions | <u>(372,926)</u> |
| Financial assets not available to be used within one year | <u>(372,926)</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 658,486</u> |

NOTE 3 – RELATED PARTY

The Organization reimbursed a board member's company \$100,000 for shared personnel, subscriptions, and contractor expenses that were paid by on behalf of the Organization during the year ended December 31, 2023. At December 31, 2023, \$298,187 was owed to the board member's company. Any related parties on the Board of Directors refrain from voting on related party transactions.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023:

| | |
|--|-------------------|
| Overcoming Racial Polarization: Mapping and Disrupting Racial Ideologies | <u>\$ 372,926</u> |
| | <u>\$ 372,926</u> |