

MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Multidisciplinary Association for Psychedelic Studies, Inc. and subsidiaries

We have audited the accompanying consolidated financial statements of Multidisciplinary Association for Psychedelic Studies, Inc. (a nonprofit organization) and subsidiaries, which comprise the consolidated statement of financial position as of May 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Multidisciplinary Association for Psychedelic Studies, Inc. and subsidiaries as of May 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.


BOITANO & SARGENT
San Jose, California
April 15, 2018

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Consolidated Statement of Financial Position

May 31, 2017

Assets

Cash and cash equivalents	\$ 645,695
Investments	7,260,004
Promises to give	1,925,866
Government grant receivable	255,014
Inventory, merchandise	129,204
Notes receivable	151,684
Property and equipment, net	16,915
Other assets	172,688
Total assets	<u>\$ 10,557,070</u>

Liabilities and net assets

Liabilities

Accounts payable	\$ 296,085
Accrued expenses	213,775
Total liabilities	<u>509,860</u>

Net Assets

Unrestricted net assets	9,179,123
Temporarily restricted net assets	868,087
Total net assets	<u>10,047,210</u>

Total liabilities and net assets	<u>\$ 10,557,070</u>
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The accompanying notes are an integral part of these financial statements.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Consolidated Statement of Activities
For the Year Ended May 31, 2017

Unrestricted net assets

Revenue	
Contributions	\$ 1,547,898
Events and activities	1,046,731
Merchandise sales, net	76,062
Government grant	641,888
Other income	28,736
Investment income, net	765,765
Net assets released from restrictions	1,968,317
Total revenue	<u>6,075,397</u>
Expenses	
Program services	5,287,761
Management and general	281,912
Fund raising	267,991
Total expenses	<u>5,837,664</u>
Increase in unrestricted net assets	<u>237,733</u>

Temporarily restricted net assets

Contributions	1,870,980
Net assets released from restrictions	<u>(1,968,317)</u>
Decrease in temporarily restricted net assets	<u>(97,337)</u>

Change in net assets	<u>140,396</u>
Net assets, beginning of year	<u>9,906,814</u>
Net assets, end of year	<u><u>\$ 10,047,210</u></u>

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

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses
For the Year Ended May 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries and related expenses				
Salaries and wages	\$ 1,466,894	\$ 120,596	\$ 170,856	\$ 1,758,346
Payroll taxes	114,537	9,996	13,798	138,331
Employee benefits	177,765	37,036	25,879	240,680
Total salaries and related expenses	<u>1,759,196</u>	<u>167,628</u>	<u>210,533</u>	<u>2,137,357</u>
Services and supplies				
Clinical research	1,635,451	-	-	1,635,451
Event expense	757,935	308	13,422	771,665
Depreciation expenses	3,835	315	447	4,597
Education and outreach	20,265	-	-	20,265
IT expenses	110,093	3,173	4,496	117,762
Insurance	34,323	1,808	2,561	38,692
Office expenses	118,031	5,849	8,286	132,166
Occupancy	115,219	3,122	4,424	122,765
Postage and delivery	30,748	2,528	3,581	36,857
Fiscal sponsor - education	294,510	-	-	294,510
Staff development	22,508	1,850	2,622	26,980
Professional expenses	148,615	89,096	8,786	246,497
Printing	45,518	3,263	4,623	53,404
Travel expenses	191,514	2,972	4,210	198,696
Total services and supplies	<u>3,528,565</u>	<u>114,284</u>	<u>57,458</u>	<u>3,700,307</u>
Total expenses	<u><u>\$ 5,287,761</u></u>	<u><u>\$ 281,912</u></u>	<u><u>\$ 267,991</u></u>	<u><u>\$ 5,837,664</u></u>

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

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Consolidated Statement of Cash Flows
For the Year Ended May 31, 2017

Cash flows from operating activities	
Change in net assets	\$ 140,396
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Unrealized gain on investments	(754,889)
Depreciation	4,597
Non cash donations	(58,848)
(Increase) decrease in operating assets	
Promises to give	268,486
Government grant receivable	(220,404)
Inventory, merchandise	(47,422)
Notes receivable	45,368
Other assets	1,210
Increase in operating liabilities	
Accounts payable	145,146
Accrued expenses	81,131
Net cash used by operating activities	<u>(395,229)</u>
 Cash flows from investing activities	
Purchases of property and equipment	(5,381)
Proceeds from sale of investments	40,129
Net cash provided by investing activities	<u>34,748</u>
 Decrease in cash and cash equivalents	(360,481)
 Cash and cash equivalents, beginning of year	<u>1,006,176</u>
 Cash and cash equivalents, end of year	<u><u>\$ 645,695</u></u>

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

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
May 31, 2017

Note 1 – Nature of activities

The Multidisciplinary Association for Psychedelic Studies, Inc. (MAPS), a not-for-profit corporation, was incorporated in 1986 in response to the criminalization of MDMA (methylenedioxymethamphetamine). MAPS was incorporated to conduct a wide range of research and educational activities with psychedelic substances, and to develop standards and practices for psychedelic psychotherapy. MAPS' vision is a world where psychedelics and marijuana are legally available to people for medical, therapeutic, psychospiritual, personal growth and exploration purposes. MAPS seeks to bring an end to the fear and irrationality that have surrounded psychedelics and marijuana for decades, committing instead to the systematic scientific evaluation of their risks and benefits as treatments for some of the world's most debilitating and hard-to-treat conditions.

MAPS Public Benefit Corporation (MPBC), a for profit Delaware corporation, was established in 2015 for the purpose of balancing the potential income from the legal sale of MDMA with the social benefits of MAPS' mission by serving as a vehicle for conducting MAPS' psychedelic and marijuana research initiatives. MPBC is a wholly owned subsidiary of MAPS.

MAPS, Inc, a Canadian not-for-profit, was incorporated in 2014 according to the Society Act of British Columbia, Canada for the purpose of carrying out fundraising and research activities in Canada. MAPS has controlling financial interest in MAPS, Inc.

Principles of Consolidation

The consolidated financial statements include the accounts of MAPS, MPBC and MAPS, Inc. All material inter-company accounts and transactions have been eliminated in the consolidation. The entities are collectively referred to as "the Organization".

Key Accomplishments:

Research:

In FY17, MAPS' primary focus was on preparing for Phase 3 trials of MDMA-assisted psychotherapy for PTSD. MAPS also continued its studies looking at the safety and efficacy of using MDMA-assisted psychotherapy for social anxiety in adults on the autism spectrum, and continued its study of MDMA-assisted psychotherapy for end-of-life anxiety. Both studies are expected to be completed with scientific papers submitted for publication by the end of FY18. Additional funds were spent on MAPS' MDMA/PTSD Memory Reconsolidation mechanism of action study.

On November 29, 2016, MAPS had its End of Phase 2 meeting with FDA after completing an international series of Phase 2 pilot studies, investigating MDMA-assisted psychotherapy for PTSD, begun in 2000. In 107 patients with treatment-resistant PTSD, 23% of subjects in the control group no longer qualified for a diagnosis of PTSD two months after the last experimental session. In the experimental group, 61% no longer had PTSD two months following the third of three sessions of MDMA-assisted psychotherapy. At the 12-month follow-up, 68% no longer had PTSD. The treatment shows significant recovery from PTSD was possible for most patients. On average, patients continue to improve well after completing treatment. In addition, there was an excellent safety profile indicating that MDMA administration is safe in clinical settings.

On July 28, 2017, MAPS successfully completed the FDA's Special Protocol Assessment (SPA) process and received an Agreement Letter regarding its Phase 3 protocol design. This agreement confirms that the protocol design, clinical endpoints, planned conduct, and statistical analyses for the Phase 3 trials are acceptable to support regulatory approval by the FDA. If MAPS obtains statistically significant results in Phase 3 and there are no new safety issues, FDA is committed in writing to approving MDMA-assisted psychotherapy for PTSD as a treatment legally-available by prescription. On August 15, 2017, FDA designated MDMA-assisted psychotherapy for PTSD as a Breakthrough Therapy, the most valuable program FDA offers for the most promising drugs.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
May 31, 2017

Note 1 – Nature of activities (continued)

MAPS plans to begin its first Phase 3 randomized, double-blind, placebo-controlled, multi-site clinical trial in mid-2018 to assess the safety and efficacy of MDMA-assisted psychotherapy in 200-300 participants, aged 18 and older and with severe PTSD from any cause. MAPS plans to complete its Phase 3 research in 2020 and by 2021 submit to FDA its New Drug Application. MAPS' Phase 3 research for FDA approval is estimated to cost \$26 million. MAPS has already secured \$18 million in donations or multi-year pledges, but there is still an \$8 million fundraising gap. MAPS' greatest challenge is obtaining the final donations to fully fund Phase 3 for FDA.

MAPS is initiating negotiations with the European Medicines Agency (EMA). By the end of summer 2018, it will be clear what data EMA will require for regulatory approval in addition to the data gathered for FDA approval. Once data requirements are confirmed, the amount of donations needed to raise for EMA approval can be determined.

In FY16, after seven years of struggle, MAPS finally received DEA and IRB approval to move forward with its study examining the efficacy of smoked marijuana in 76 veterans with chronic, treatment-resistant PTSD. This research is funded by \$2.156 million grant from the Colorado Department of Public Health and Environment. In December 2016, screening for participants began, and in February 2017, the first participant was enrolled and received cannabis. As of the writing of this report, 32 subjects have been enrolled.

Education:

Education expenses include events, conferences, publications, communications, and psychedelic harm reduction.

In FY17, MAPS hosted its third in a series of scientific conferences, Psychedelic Science 2017 (PS17). PS17 was the largest psychedelic conference in history, with over 3,000 attendees from 40+ countries. During the six-day gathering, there were over 227 presentations, 12 full-day workshops, 15 film screenings, 15 entertainment acts, 14 community and partner forums, poster sessions, a researcher's seminar, and a free and open to the public marketplace full of more than 60 vendors and exhibitors.

Additionally, in FY17, MAPS provided sponsorship, speakers, tables, formal representatives, and/or promotional support for over 35 outreach events.

MAPS' communications include active engagement in public education through media contacts, website and social media presence, publishing three MAPS *Bulletins*, 12 email newsletters, and several books. MAPS maintains numerous websites, including maps.org, mdmaptsd.org, mdmaautism.org, mapscanada.org, psychedelicsscience.org, psychedelicdinner.org, mapsbcorp.com, and zendoproject.org. In FY17, MAPS received 407 unique media mentions from online and print publications. Media outlets include: *The New York Times*, *Rolling Stone*, *WebMD*, *San Francisco Chronicle*, *The Washington Post*, *VICE*, *East Bay Express*, CBS San Francisco Bay Area, *Playboy*, *Comedy Central*, *ELLE*, *Folha de Sao Paulo*, *GEO*, *DJ Magazine*, *YouGov*, and many more.

The Zendo Project psychedelic harm reduction program experienced continued expansion of services in FY17. The Zendo Project provided services at over seven major festivals including: Burning Man, Boom, an Insomniac event, Envision, Lightning in a Bottle, and Symbiosis. The Zendo Project provided support to 456 guests at Burning Man. For the first time ever, Zendo's location was highlighted on Burning Man's official map of Black Rock City. The Zendo Project also collaborated closely with medical staff, law enforcement from Bureau of Land Management, and Black Rock City Rangers. A 3-hour public training on the principles of psychedelic harm reduction was hosted for several hundred people. Zendo staff also hosted two integration sessions.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
May 31, 2017

Note 2 – Summary of significant accounting policies

(a) Basis of Net Assets Presentation

The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations which are required to be held in perpetuity. As of May 31, 2017, the Organization had no permanently restricted net assets.

(b) Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of 90 days or less, excluding cash received with a donor-imposed restriction that limits its use for long-term purposes.

(d) Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors 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.

(e) Property and Equipment

Property and equipment are capitalized at cost or fair value at the date of donation. It is the Organization's policy to capitalize expenditures in excess of \$2,000. Lesser amounts are generally expensed. Depreciation is provided over the estimated useful life of the asset ranging from five to thirty-nine years and is computed on the straight-line method.

(f) Taxes

MAPS is a non-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. MPBC is a for profit corporation that is subject to federal and California corporate taxes as well as Delaware franchise tax fees. MAPS, Inc. is a Canadian not for profit subject to the Society Act of British Columbia, Canada.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken on its unrelated business taxable income relating to MPBC and in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally three years and four years respectively, after they are filed.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
May 31, 2017

Note 2 – Summary of significant accounting policies (continued)

(g) Long-lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less costs to sell.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 – Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year. All other restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and risk-free interest rates applicable to the years in which they are received. Management has also determined outstanding promises to give are fully collectible within 12 months and no allowance has been provided.

Note 4 – Investments

As of May 31, 2017, investments consist of the following:

Curing PTSD Fund	\$ 7,181,214
Digital currencies	68,782
Marketable securities	10,008
Total	<u>\$ 7,260,004</u>

In 2013, the Organization established the Curing PTSD Fund (the Fund), a donor-advised fund managed by The San Francisco Foundation. MAPS is the sole designated beneficiary of the Fund and can recommend grants to support its mission. As of May 31, 2017, the Fund primarily consists of cash and short term duration bonds.

During the year ended May 31, 2017, the Organization received donation in various digital currencies. Digital currencies were held at an online exchange. Value is based on the closing price on May 31, 2017 obtained from the exchange.

Investment income for the year ended May 31, 2017 is summarized as followed:

Interest and dividends	\$ 59,529
Realized/Unrealized gain on digital currency	50,063
Realized/Unrealized gain on Curing PTSD Fund	743,124
Management fees	(86,951)
Investment income, net	<u>\$ 765,765</u>

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
May 31, 2017

Note 5 – Inventory

Inventory is stated at the lower of cost (determined on the first-in, first-out basis) or market. Inventory consists of books, DVD's, clothing, and other promotional items available for sale.

Note 6 – Notes receivable

The Organization has two unsecured notes receivable from unrelated organizations. As of May 31, 2017, the unpaid balance was \$151,684. These notes do not have specific repayment terms and carry annual interest rates between 4.5% and 5%. Management believes that these notes are fully collectible; therefore, no allowance has been provided.

Note 7 – Other assets

As of May 31, 2017, other assets consist of the following:

MDMA substance	\$ 148,630
Security deposits	9,000
Prepaid expenses	<u>15,058</u>
Total	<u>\$ 172,688</u>

Note 8 – Fair value measurements

The Organization's financial assets and liabilities are carried at fair value and have been classified into a three-tier hierarchy based on Financial Accounting Standards for Fair Value Measurements. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – Quoted prices in active markets for identical investments.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

The following table presents the fair value hierarchy for financial assets measured at fair value on a recurring basis at reporting date:

	<u>Fair value</u>	<u>Level 1</u>
Curing PTSD Fund	\$ 7,181,214	\$ 7,181,214
Digital currencies	68,782	68,782
Marketable securities	<u>10,008</u>	<u>10,008</u>
Total Investments	<u>\$ 7,260,004</u>	<u>\$ 7,260,004</u>

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
May 31, 2017

Note 9 – Property and equipment, net

Property and equipment consists of the following at May 31, 2017

	<u>Life</u>	
Equipment	2 to 5 years	\$ 10,913
Leasehold improvement	10 years	12,493
Accumulated depreciation		<u>(6,491)</u>
Property and equipment, net		<u>\$ 16,915</u>

Note 10 – Accrued expenses

Accrued expenses primarily include accrued payroll expenses and retirement plan contributions.

Note 11 – Operating lease commitments

On March 12, 2015, the Organization entered into a five-year lease for the premises located at 1215 Mission St., Santa Cruz, California at a lease rate of \$4,266 per month. The yearly minimum future lease payments are as follows:

Year Ending May 31,	<u>Lease Payments</u>
2018	\$ 51,192
2019	51,192
2020	<u>51,192</u>
Total due	<u>\$ 153,576</u>

Note 12 – Temporarily restricted net assets

As of May 31, 2017, temporarily restricted net assets designated for special research projects and events were \$868,087.

Note 13 – Retirement plan

The Organization has a SEP-IRA plan covering all eligible employees. Depending on the years of employment, the Organization can contribute up to 10% of an eligible employee's annual compensation to the plan. Employee contributions are not required under this plan. For the year ended May 31, 2017, the Organization contributed \$54,630 to the plan.

Note 14 – Government contract

On February 26, 2016, the State of Colorado awarded the Organization a medical marijuana research contract to determine the impact of use of smoked marijuana to manage chronic, treatment-resistant Post-Traumatic Stress Disorder symptoms. The contract ends on March 31, 2018 for the total of \$1,027,772. For the year ended May 31, 2017, related contract billing was \$641,888. Related research activities were carried out by MBPC.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
May 31, 2017

Note 15 – Concentration

For the year ended May 31, 2017, the Organization maintains cash balances in several banks. Accounts at each institution are insured by the FDIC up to a current maximum of \$250,000. During the year, the Organization may maintain cash balances in excess of FDIC limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

The Organization has concentrations of risk as a result of contributions from major donors. Contributions received from the top three donors, as a percentage of total contributions for the year ended May 31, 2017, were 41%. Promises to give from the top three donors account for 91% of total promises to give at May 31, 2017.

Note 16 – MAPS Public Benefit Corporation

As of May 31, 2017, the Board approved the purchase of 2,940 shares of MPBC's common stock at \$2,000 per share for the total of \$5,880,000 for the purposes of funding MPBC's operations. Management anticipates purchasing additional shares as research activities expand. As described in note 1, all accounts and transactions related to MPBC were consolidated into these financial statements. If stated separately, the income statement for the year ended May 31, 2017 would be as follows:

Interest income	\$ 21
Government grant	<u>641,888</u>
Total income	<u>641,909</u>
Expenses	
Payroll and related	956,431
Clinical research	1,512,966
Travel	155,365
IT expenses	71,496
Professional services	66,029
Office expenses	<u>144,622</u>
Total expenses	<u>2,906,909</u>
Net loss	<u>\$ (2,265,000)</u>

If stated separately, the balance sheet as of May 31, 2017 would be as follows:

Assets	
Cash and cash equivalents	\$ 181,946
Due from MAPS	864,685
Fixed assets	3,139
Prepaid expenses	<u>7,166</u>
Total assets	<u>\$ 1,056,936</u>
Liabilities and equity	
Accounts payable	\$ 264,729
Common stock	5,880,000
Accumulated deficits	<u>(5,087,793)</u>
Total liabilities and equity	<u>\$ 1,056,936</u>

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
May 31, 2017

Note 17 – MAPS Public Benefit Corporation Biennial Special Purpose Review

The special purpose of MPBC is to balance income from the legal sale of MDMA with the social benefits of MAPS' mission by serving as a vehicle for conducting MAPS' psychedelic and marijuana research initiative.

In accordance with the requirement of Delaware General Corporate Law §366, the Company reports that during 2017 MAPS Public Benefits Corporation earned no income from the legal sale of MDMA. For the year ended May 31, 2017, the Company reported a loss of \$2,265,000. As a result, no funds were available to be set toward the social benefits of MAPS's mission. The Company does not anticipate generating any income from the legal sale of MDMA until FDA approval is obtained.

A full review of the MAPS Public Benefit Corporation's research activities is available on its parent company MAPS's website at <http://www.maps.org>.

Note 18 – MAPS, Inc.

Activities related to MAPS, Inc. were converted to U.S. Dollar at year end. Management believes fluctuation in currency is not material to the consolidated financial statements. As described in note 1, all accounts and transactions related to MAPS, Inc. were consolidated into these financial statements. If stated separately, the income statement for the year ended May 31, 2017 would be as follows:

Contribution income	\$ 12,007
Expenses	
Personnel	10,793
Clinical research	<u>7,510</u>
Total expenses	<u>18,303</u>
Net loss	<u>\$ (6,296)</u>

If stated separately, the balance sheet as of May 31, 2017 would be as follows:

Assets	
Cash and cash equivalents	\$ 979
Due from MAPS	<u>622</u>
	<u>\$ 1,601</u>
Liabilities and accumulated deficits	
Accounts payable	\$ 1,946
Accumulated deficits	<u>(345)</u>
Total liabilities and accumulated deficits	<u>\$ 1,601</u>

Note 19 – Evaluation of subsequent events

The Organization has evaluated events subsequent to May 31, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through April 15, 2018, the date the financial statements were available to be issued.

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April 15, 2018

To Board of Directors
Multidisciplinary Association for Psychedelic Studies, Inc.

We have audited the financial statements of Multidisciplinary Association for Psychedelic Studies, Inc. for the year ended May 31, 2017, and have issued our report thereon dated April 15, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 15, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Multidisciplinary Association for Psychedelic Studies, Inc. and subsidiaries are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended May 31, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were allocation of functional expenses and fair value of investments.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 15, 2018.

Management Consultations with Other Independent Accountants

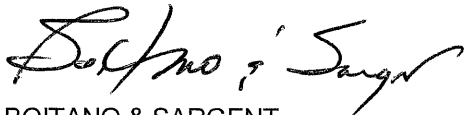
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and Management of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Boitano & Sargent".

BOITANO & SARGENT
San Jose, California