

**David Lynch Foundation
For Consciousness-Based
Education and World Peace**

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Trustees
David Lynch Foundation For
Consciousness-Based Education and World Peace

We have audited the accompanying financial statements of David Lynch Foundation For Consciousness-Based Education and World Peace (the "Foundation") which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Auditors' 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 audit 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 auditors' 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.

**Board of Trustees
David Lynch Foundation For
Consciousness-Based Education and World Peace**
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of David Lynch Foundation For Consciousness-Based Education and World Peace as of June 30, 2020 and 2019, 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.

PKF O'Connor Davies, LLP

December 1, 2020

**David Lynch Foundation For
Consciousness-Based Education and World Peace**

Statements of Financial Position

	June 30	
	2020	2019
ASSETS		
Current Assets		
Cash	\$ 2,288,198	\$ 3,722,094
Certificates of deposit	1,002,959	752,146
Contributions receivable	3,295,774	1,536,515
Employee receivables	3,710	8,185
Prepaid expenses and other current assets	54,498	219,030
Total Current Assets	6,645,139	6,237,970
Non-current Assets		
Contributions receivable, net of discount	2,589,595	2,412,823
Security deposits	200,484	225,905
Property and Equipment		
Furniture and fixtures	319,550	370,749
Equipment	274,999	288,101
	594,549	658,850
Less accumulated depreciation	418,651	388,584
	175,898	270,266
Total Non-current Assets	2,965,977	2,908,994
Total Assets	\$ 9,611,116	\$ 9,146,964
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 266,650	\$ 316,132
Accrued vacation	64,627	89,167
Total Current Liabilities	331,277	405,299
Non-current Liabilities		
Loan payable	829,808	-
Total Liabilities	1,161,085	405,299
Net Assets		
Without donor restrictions	1,474,367	2,048,337
With Donor Restrictions		
Time restricted	2,535,000	3,486,546
Purpose restricted	4,440,664	3,206,782
	6,975,664	6,693,328
Total Net Assets	8,450,031	8,741,665
Total Liabilities and Net Assets	\$ 9,611,116	\$ 9,146,964

See notes to financial statements

**David Lynch Foundation For
Consciousness-Based Education and World Peace**

Statements of Activities

	Year Ended					
	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contribution and grant revenue	\$ 2,459,568	\$ 5,170,301	\$ 7,629,869	\$ 5,590,570	\$ 5,911,538	\$ 11,502,108
Special events (net of \$677,808 and \$304,461 direct benefit to donors for 2020 and 2019)	(148,793)	-	(148,793)	101,615	-	101,615
Program revenue	508,438	-	508,438	780,489	-	780,489
Sublease income	152,046	-	152,046	-	-	-
License and royalty fees	14,849	-	14,849	37,273	-	37,273
Interest income	28,596	-	28,596	10,529	-	10,529
Net assets released from restrictions	4,887,965	(4,887,965)	-	2,482,750	(2,482,750)	-
Total Support and Revenue	<u>7,902,669</u>	<u>282,336</u>	<u>8,185,005</u>	<u>9,003,226</u>	<u>3,428,788</u>	<u>12,432,014</u>
EXPENSES						
Program	5,795,915	-	5,795,915	10,266,913	-	10,266,913
Management and general	1,381,719	-	1,381,719	1,086,001	-	1,086,001
Fundraising	1,299,005	-	1,299,005	1,188,244	-	1,188,244
Total Expenses	<u>8,476,639</u>	<u>-</u>	<u>8,476,639</u>	<u>12,541,158</u>	<u>-</u>	<u>12,541,158</u>
Change in Net Assets	(573,970)	282,336	(291,634)	(3,537,932)	3,428,788	(109,144)
NET ASSETS						
Beginning of year	<u>2,048,337</u>	<u>6,693,328</u>	<u>8,741,665</u>	<u>5,586,269</u>	<u>3,264,540</u>	<u>8,850,809</u>
End of year	<u>\$ 1,474,367</u>	<u>\$ 6,975,664</u>	<u>\$ 8,450,031</u>	<u>\$ 2,048,337</u>	<u>\$ 6,693,328</u>	<u>\$ 8,741,665</u>

See notes to financial statements

**David Lynch Foundation For
Consciousness-Based Education and World Peace**

**Statement of Functional Expenses
Year Ended June 30, 2020**

	Education	Veterans	Women	CHW	DLFtv	Awareness	Government	International	Other Programs	Total Program	Management and General	Fundraising	Total
Personnel	\$ 620,072	\$ 474,600	\$ 64,831	\$ 248,708	\$ 192,671	\$ 383,041	\$ 378,296	\$ 13	\$ 592,451	\$ 2,954,683	\$ 470,646	\$ 715,319	\$ 4,140,648
Grants	539,599	133,518	12,287	211,856	-	414	21,189	146,430	237,185	1,302,478	-	-	1,302,478
Program expenses	13,173	1,236	514	1,074	-	-	643	-	7,270	23,910	-	-	23,910
Program research	33,189	70,333	-	135	-	-	-	-	4,187	107,844	-	-	107,844
Retreat expenses	13,922	-	-	325	-	-	-	-	1,153	15,400	-	-	15,400
Production and media	708	1,075	-	2,325	40,402	71,209	-	-	-	115,719	22,515	16,255	154,489
Printing and advertising	8,062	3,500	-	5,700	-	1,844	50	-	3,444	22,600	562	10,008	33,170
Special events and annual gala	5,783	-	-	-	-	34,969	683	-	50	41,485	450	730,415	772,350
Cultivation expense	184	571	214	2,130	-	-	1,017	363	7,389	11,868	10,849	16,518	39,235
Consultants/website design	17,428	34,515	868	20,320	1,735	28,369	14,155	14,324	118,951	250,665	29,216	122,133	402,014
Occupancy	117,700	61,372	6,477	42,025	15,471	46,483	75,996	18,767	120,646	504,937	332,582	174,544	1,012,063
Telephone and internet	4,727	2,880	287	2,268	3,822	3,118	4,796	842	6,846	29,586	16,109	5,776	51,471
Postage and shipping	1,089	65	5	44	1,540	1,030	474	413	407	5,067	1,541	1,522	8,130
Office supplies and equipment rental	4,477	2,576	259	2,420	1,154	1,700	5,152	602	3,762	22,102	16,141	6,003	44,246
IT (software, hardware and web)	21,321	7,697	992	8,566	9,604	24,118	5,877	3,680	18,162	100,017	7,391	75,298	182,706
Audit	-	-	-	-	-	-	-	-	-	-	21,000	-	21,000
Membership and subscriptions	-	-	-	-	591	347	143	-	971	2,052	765	2,383	5,200
Professional development	1,272	-	-	-	-	-	-	-	1,881	3,153	896	134	4,183
Travel and meetings	30,052	17,773	592	3,520	11,113	5,393	6,216	7,189	31,678	113,526	51,492	58,859	223,877
Insurance	13,085	6,252	653	3,285	2,170	3,989	2,918	1,604	8,907	42,863	28,990	24,026	95,879
Legal	10,487	213	19	234	84	4,109	139	57	623	15,965	29,743	4,405	50,113
Bank and credit card fees	544	800	176	9,676	41	75	166	382	5,019	16,879	1,127	5,857	23,863
Third party fees	-	-	-	-	-	49,825	-	-	-	49,825	700	555	51,080
Bad debt	-	-	-	-	-	-	-	-	-	-	311,650	-	311,650
Depreciation	6,656	6,036	439	9,642	2,569	4,594	4,083	1,424	7,848	43,291	27,354	6,803	77,448
	<u>1,463,530</u>	<u>825,012</u>	<u>88,613</u>	<u>574,253</u>	<u>282,967</u>	<u>664,627</u>	<u>521,993</u>	<u>196,090</u>	<u>1,178,830</u>	<u>5,795,915</u>	<u>1,381,719</u>	<u>1,976,813</u>	<u>9,154,447</u>
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	(677,808)	(677,808)
	<u>\$ 1,463,530</u>	<u>\$ 825,012</u>	<u>\$ 88,613</u>	<u>\$ 574,253</u>	<u>\$ 282,967</u>	<u>\$ 664,627</u>	<u>\$ 521,993</u>	<u>\$ 196,090</u>	<u>\$ 1,178,830</u>	<u>\$ 5,795,915</u>	<u>\$ 1,381,719</u>	<u>\$ 1,299,005</u>	<u>\$ 8,476,639</u>

See notes to financial statements

**David Lynch Foundation For
Consciousness-Based Education and World Peace**

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Education	Veterans	Women	CHW	DLFtv	Awareness	Government	International	Other Programs	Total Program	Management and General	Fundraising	Total
Personnel	\$ 882,524	\$ 321,644	\$ 166,836	\$ 260,141	\$ 350,686	\$ 786,554	\$ 383,362	\$ 9,147	\$ 804,169	\$ 3,965,063	\$ 394,632	\$ 1,135,080	\$ 5,494,775
Grants	2,054,073	102,261	26,534	137,370	-	5,559	6,433	204,907	202,651	2,739,788	-	262	2,740,050
Program expenses	54,013	4,362	1,951	1,214	-	71	152	92	10,014	71,869	3,254	-	75,123
Program research	50,940	-	-	-	-	-	-	-	35,942	86,882	-	-	86,882
Retreat expenses	14,933	17	4	777	-	-	-	-	6,908	22,639	1,466	19,495	43,600
Production and media	4,189	1,050	319	811	44,598	45,941	534	300	1,811	99,553	7,765	2,035	109,353
Printing and advertising	4,739	4,259	2	8,592	32	26,607	-	-	8,813	53,044	1,529	5,760	60,333
Special events and annual gala	-	-	-	-	10	892,099	-	-	-	892,109	-	-	892,109
Cultivation expense	175	-	639	450	-	2,603	-	-	1,576	5,443	24,850	14,200	44,493
Consultants/website design	83,747	82,158	4,597	18,500	3,535	168,480	8,253	59,990	144,039	573,299	235,357	85,387	894,043
Occupancy	318,003	37,246	15,425	41,269	36,891	139,803	94,246	17,006	221,651	921,540	164,546	110,180	1,196,266
Telephone and internet	16,692	2,282	819	2,132	4,636	8,662	4,294	1,046	8,819	49,382	12,047	6,391	67,820
Postage and shipping	2,504	845	152	191	999	6,793	448	21	1,318	13,271	1,278	1,868	16,417
Office supplies and equipment rental	13,112	2,090	736	1,844	3,211	14,778	2,364	923	4,814	43,872	10,620	6,380	60,872
IT (software, hardware and web)	41,736	6,144	3,168	2,166	13,415	27,947	3,081	2,304	15,902	115,863	19,499	32,136	167,498
Audit	-	-	-	-	-	-	-	-	-	-	24,000	-	24,000
Membership and subscriptions	1,336	141	22	13	538	1,931	10	5	1,143	5,139	1,581	13,450	20,170
Professional development	13,469	3,675	374	-	-	-	54	4,220	617	22,409	7,443	1,089	30,941
Travel and meetings	60,930	22,848	2,542	7,055	16,475	79,228	14,473	10,890	50,989	265,430	65,878	21,633	352,941
Insurance	21,426	3,300	1,387	3,196	3,007	19,177	2,451	1,925	7,550	63,419	14,886	8,780	87,085
Legal	27,393	1,909	546	1,334	1,022	10,357	1,213	597	3,277	47,648	56,653	12,206	116,507
Bank and credit card fees	3,043	1,294	292	13,863	289	3,756	347	490	3,887	27,261	2,042	6,258	35,561
Third party fees	6	22	-	-	-	83,114	-	-	30	83,172	2,594	1,096	86,862
Donated services	2,300	-	-	-	-	10,203	-	-	-	12,503	-	-	12,503
Bad debt	-	-	-	-	2,000	24,370	-	-	5,000	31,370	-	-	31,370
Depreciation	17,228	5,868	1,611	3,627	2,823	10,250	3,695	1,585	8,258	54,945	34,081	9,019	98,045
	<u>3,688,511</u>	<u>603,415</u>	<u>227,956</u>	<u>504,545</u>	<u>484,167</u>	<u>2,368,283</u>	<u>525,410</u>	<u>315,448</u>	<u>1,549,178</u>	<u>10,266,913</u>	<u>1,086,001</u>	<u>1,492,705</u>	<u>12,845,619</u>
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	(304,461)	(304,461)
	<u>\$ 3,688,511</u>	<u>\$ 603,415</u>	<u>\$ 227,956</u>	<u>\$ 504,545</u>	<u>\$ 484,167</u>	<u>\$ 2,368,283</u>	<u>\$ 525,410</u>	<u>\$ 315,448</u>	<u>\$ 1,549,178</u>	<u>\$ 10,266,913</u>	<u>\$ 1,086,001</u>	<u>\$ 1,188,244</u>	<u>\$ 12,541,158</u>

See notes to financial statements

**David Lynch Foundation For
Consciousness-Based Education and World Peace**

Statements of Cash Flows

	Year Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (291,634)	\$ (109,144)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	311,650	31,370
Depreciation	77,448	98,045
Loss on disposal of equipment	33,076	-
Change in operating assets and liabilities		
Contributions and employee receivables	(2,243,206)	357,944
Prepaid expenses and other current assets	164,532	91,806
Security deposits	25,421	32,586
Accounts payable	(49,482)	(601,761)
Accrued vacation	(24,540)	(14,148)
Net Cash from Operating Activities	(1,996,735)	(113,302)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of certificates of deposit	2,255,937	742,383
Purchase of certificates of deposit	(2,506,750)	(759,684)
Purchase of property and equipment	(16,156)	(28,064)
Net Cash from Investing Activities	(266,969)	(45,365)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	829,808	-
Net Change in Cash	(1,433,896)	(158,667)
CASH		
Beginning of year	3,722,094	3,880,761
End of year	\$ 2,288,198	\$ 3,722,094

See notes to financial statements

David Lynch Foundation For Consciousness-Based Education and World Peace

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

The David Lynch Foundation For Consciousness-Based Education and World Peace (the "Foundation" or "DLF"), a nonprofit organization founded in 2005, addresses the epidemic of trauma and toxic stress among at-risk populations through the implementation of the evidence-based Transcendental Meditation ("TM") technique. The Foundation has supported more than 1,000,000 children and adults worldwide, with a focus on urban youth in underserved schools, veterans suffering from post-traumatic stress and their families, women and children who are survivors of domestic violence and sexual assault, and people in recovery from alcohol and substance abuse. The Foundation has also worked with the homeless, prison populations, people living with HIV/AIDS, and others.

The Foundation organizes and hosts scientific and professional conferences as well as town hall meetings to educate leaders and the general public about the benefits of TM and the work of the Foundation. In addition, it partners on the highest level research to assess the effects of TM. Below are descriptions for certain programs of the Foundation.

Education

The Foundation's educational outreach, the Quiet Time program, is focused primarily on students in low income urban schools. Quiet Time (QT) is a practical evidence-based approach that reduces stress while improving focus, academic performance, student wellness, and the general school environment. QT provides students with two 15-minute periods of TM each day to help balance their lives and improve their readiness to learn. This schoolwide program complements existing educational strategies by improving the physiological underpinnings of learning and behavior. QT has proven to have significant impact by reducing student absenteeism, infractions, and suspension rates. Research also suggests that teachers and administrators who practice TM experience reduced stress and burnout. DLF-funded programs include public and public charter schools in New York, Los Angeles, Chicago, and Washington, D.C

Veterans (Resilient Warrior Program)

This program provides TM training to veterans, active-duty personnel, and military families. This simple, easy-to-learn, evidence-based technique has been shown to relieve symptoms of post-traumatic stress disorder (PTSD) and major depression. The Resilient Warrior Program works with major veteran service organizations including Veterans Administration (VA) medical centers, Fort Gordon Traumatic Brain Injury Clinic, and the Boulder Crest Retreat. The Foundation is working closely with top administrative and research leadership at the VA to design the largest study ever on meditation and PTSD. The study will take place at 9 VA medical centers and research universities across the U.S. with approximately 450-500 subjects. In addition to PTSD clinical outcomes, the study will examine depression, suicidal ideation, substance craving/usage and sleep - and include a neuroimaging and biological component.

**David Lynch Foundation For
Consciousness-Based Education and World Peace**

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status (continued)

Women's Health Initiative (Women)

The Women's Health Initiative provides TM training for survivors of domestic violence and sexual assault. TM is an evidence-based, alternative therapy shown to contribute to healing and empowerment. Program partners include the Manhattan Family Justice Center (an initiative of the New York City Mayor's office to end domestic and gender-based violence), Crime Victim Treatment Center (the largest hospital-based victim assistance program in New York), and other domestic violence and sexual assault service providers.

Center for Health and Wellness (CHW)

The Center for Health and Wellness (CHW), formerly Center for Leadership and Performance (CLP), provides TM training courses for New York City area business professionals. This professional development program provides a technique to overcome stress, enhance creativity, increase stamina and efficiency. This results in greater performance in the workplace. The program provides organizations and their executives the opportunity to fulfill an important aspect of professional development and wellness initiatives. CHW also furthers awareness of the impact of DLF's work and the effectiveness of TM.

DLFtv

DLFtv documents DLF programs around the world, including schools; women's initiatives; active duty military, veterans and their families; law enforcement and prisons; the homeless, and refugees. DLFtv seeks the most compelling stories of transformation and creates videos that inspire program participation, funding, and new partnerships. In addition, DLFtv plans and provides technical production for many DLF events, including concerts, galas, summits, and screenings.

Awareness (DLF Live)

DLF Live produces events to increase awareness of DLF and educate the public about the impact and benefits of TM. The world's premiere artists, designers, and musicians participate in DLF's galas, special events, and auctions. Auctions offer one-of-a-kind new works and extraordinary experiences. Funds benefit DLF's programs to reduce toxic stress and trauma, and improve the quality of life for under-resourced populations.

International

DLF provides funding to TM programs for under-resourced and vulnerable populations beyond the United States. DLF supports TM training to groups in Asia, Africa, Europe and Latin America.

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Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status *(continued)*

Other Programs

Washington, D.C.

The Meditation Center (TMC) at THEARC (Town Hall Education Arts Recreation Campus) is a division of the Center for Health and Wellness of the Foundation. Since 2018, the Foundation has continued to work in partnership with 13 nationally acclaimed organizations based at THEARC, and several longstanding community-based organizations to provide TM courses and ongoing support to residents of one of Washington D.C.'s most under-resourced communities. Collaborations have been fostered and expanded with organizations such as Children's National Health System, Bishop Walker School for Boys, Phillips Collection, Howard University Hospital, Far Southeast Family Strengthening Collaborative, HD Woodson High School, and the House of Ruth. The service that TMC is providing to the community is helping to eradicate the epidemic of toxic stress and trauma and improve the quality of people's lives.

HIV Wellness

For decades, TM has been used as an adjunct to HIV/AIDS treatment by individuals who must confront serious mental/emotional challenges due to a compromised immune system. DLF partners with organizations in the San Francisco bay area to promote the power of TM to profoundly heal and restore the lives of individuals who live with HIV/AIDS.

Heal The Healers Now (Healthcare)

In the early days of the COVID-19 pandemic, the Foundation recognized that healthcare workers were dealing with crushing levels of stress and anxiety; making rapid, life-or-death decisions, all while putting their own health at risk. The Foundation has quickly mobilized to respond to the needs of healthcare workers. The response from healthcare workers, hospitals, research centers, and donors has been extraordinary. As of November 2020, TM instruction will take place in 30 hospitals and medical centers around the country, including research focused on TM and healthcare provider wellness at 10 major research and teaching centers. Through this nationwide initiative, more healthcare workers will gain access to this powerful, non-pharmaceutical tool. In addition, hospitals, policy makers, and those concerned with the wellbeing of the nation's health care industry and its medical providers will have additional evidence of TM's effectiveness; which will help to secure and allocate funding for further TM instruction.

**David Lynch Foundation For
Consciousness-Based Education and World Peace**

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status (continued)

Other Programs (continued)

Los Angeles Programs

The Foundation began serving the Los Angeles community in 2010. School partnerships have expanded to include Los Angeles Unified School District, Los Angeles County Office of Education, three charter networks, and a collaboration with the Los Angeles Department of Mental Health. The Foundation has trained thousands of teachers, school leaders, parents, and students with outstanding research substantiating the benefits. The Foundation also provides programs for community centers serving youth that have been incarcerated, veterans with PTSD, women survivors of domestic violence, people in recovery from substance abuse disorders, and frontline health providers - including nurses at UCLA Health.

Tax Status

The Foundation 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 Foundation is not classified as a private foundation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

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

Adoption of New Accounting Policies

On July 1, 2019, the Foundation adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions, or as non-exchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of ASU 2018-08 had no impact on the Foundation's financial statements.

**David Lynch Foundation For
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Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Policies (continued)

Additionally, on July 1, 2019, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. Adoption of ASU 2014-09 had no impact on the Foundation's financial statements.

Net Asset Presentation

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions represent resources that are not subject to donor-imposed restrictions.

Net assets with donor restrictions represent net assets subject to donor-imposed restrictions that expire by the passage of time, or by actions of the Foundation. When a donor's time-restriction expires or a purpose-restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as "net assets released from restrictions".

Certificates of Deposit

Certificates of deposit are reported at cost plus accrued interest, which approximates fair value and mature within the next twelve months.

Contributions Receivable

Management determines an allowance for doubtful accounts on a case by case basis based on management's historical experience, review of individual account balances, actual cash collections and its expectations of future collections, with amounts considered uncollectable written-off as bad debt. Management identified approximately \$312,000 and \$31,000 of bad debt during 2020 and 2019, respectively and believes all remaining contributions receivable to be fully collectable.

Contributions receivable that are expected to be collected in future years are discounted to their net realizable value using a risk-adjusted discount rate. The discount is amortized and reflected within contribution income in the statements of activities over the period in which the pledge is expected to be collected.

**David Lynch Foundation For
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Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$2,000, and all expenditures for repairs, maintenance, renewals, and betterments in excess of \$2,000 that materially prolong the useful lives of assets, are capitalized. Property and equipment are recorded at cost less an allowance for depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets, which is three to five years for equipment and eight years for furniture and fixtures.

Contributions, Special Events and Grant Revenue

Contributions, special events and grant revenue, including unconditional promises to give, are recognized as revenue in the period received.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of land, buildings, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues of net assets without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues of net assets with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Program Revenue

Program revenue for transcendental meditation courses and instructional workshops is recognized as revenue when such services are provided.

Grants

Grants to other organizations are recognized as an expense in the period where the promise to give is made. If grants have not been paid to recipient organizations prior to year-end, the Foundation reports these amounts as grants payable.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2017.

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Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing various programs, grants, and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services based on time and effort records, departmental expense activity, and estimates made by the Foundation's management.

Reclassifications

Certain amounts in the June 30, 2019 financial statements have been reclassified to conform to the June 30, 2020 presentation. There has been no impact on total assets, total liabilities, total net assets, or the change in net assets as reported in the June 30, 2019 financial statements.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through December 1, 2020, the date which the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through the evaluation date that would require adjustment to or disclosure in the financial statements.

3. Concentration of Credit Risk

The credit risk for contributions receivable at June 30, 2020 and 2019 was concentrated, with 68% and 46% owed from seven and three donors, respectively. Additionally, the Foundation received approximately 40% and 57% of its total support and revenue from three and two donors during the years ended June 30, 2020 and 2019, respectively.

The Foundation believes the risk is minimal due to the payment history of the donors. These contribution receivables are deemed collectible by management. The Foundation expects to continue receiving funding from these sources in the future due to the donors' giving history and strong relationships with the Foundation. The Foundation has also taken significant steps to diversify and broaden its funding sources by building a stronger, more robust development team and cultivating new and deeper relationships with other foundations and individuals.

The Foundation places its cash and certificates of deposit with highly rated financial institutions. At times, cash balances may be in excess of federally insured limits.

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Notes to Financial Statements
June 30, 2020 and 2019

4. Contributions Receivable

The Foundation received unconditional restricted contributions which have been recorded net of a present value discount of 4.25% and 4.94% at June 30, 2020 and 2019, respectively as follows:

	2020	2019
Due in two or more years	\$ 2,769,000	\$ 2,660,000
Less: discount to present value	<u>(179,405)</u>	<u>(247,177)</u>
	2,589,595	2,412,823
Due in one year or less	<u>3,295,774</u>	<u>1,536,515</u>
Total Contributions Receivable	<u><u>\$ 5,885,369</u></u>	<u><u>\$ 3,949,338</u></u>

5. Line of Credit

In October 2018, the Foundation entered into two separate line of credit notes with the same financial institution.

The first line of credit enables the Foundation to borrow up to \$1,000,000 at a borrowing rate of 4.489% plus the London interbank offered rate (“LIBOR”) with the outstanding balance to be repaid on or before the expiration date of January 20, 2020. At the date of expiration of this facility, and as of June 30, 2019, there was no outstanding balance. On January 27, 2020, the Foundation renewed this line of credit agreement with revised terms, whereby the Foundation can borrow up to \$500,000 at a borrowing rate of 5.044% plus LIBOR, with the outstanding balance to be repaid on or before January 21, 2021. As of June 30, 2020, there was no outstanding balance on this line of credit.

The second line of credit enables the Foundation to borrow up to \$3,500,000 at a borrowing rate of 5.059% plus LIBOR, with the outstanding balance to be repaid on or before October 20, 2023. As of June 30, 2020 and 2019, there was no outstanding balance on this line of credit.

6. Loan Payable

On May 26, 2020, the Foundation received a loan under the Paycheck Protection Program (the “PPP” Loan) in the amount of \$829,808 from the Small Business Administration (“SBA”). The PPP loan matures in May 2022, has an interest rate of 1% per annum and no payments are due until March 2021. If certain defined conditions are met, the PPP Loan may be forgiven by the SBA, otherwise the Foundation will be required to repay the loan in full.

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Notes to Financial Statements
June 30, 2020 and 2019

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2020	2019
Chicago School Programs	\$ -	\$ 45,000
Education Program	-	2,160
International Program	9,132	9,132
Los Angeles School Program	152,117	-
Other programs	65,550	5,000
THEARC/Washington, D.C. Programs	650,000	140,000
Veterans Program	3,505,113	3,005,490
Fetzer Memorial Trust	25,000	-
Heal the Healers Now	33,752	-
Time restrictions	<u>2,535,000</u>	<u>3,486,546</u>
	<u>\$ 6,975,664</u>	<u>\$ 6,693,328</u>

Net assets released from restriction during the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Chicago School Programs	\$ 45,000	\$ 900,000
Education Program	502,160	13,260
International program	11,545	84,830
Los Angeles School Program	110,383	29,830
Other programs	10,129	39,700
THEARC/Washington, D.C. Programs	140,000	140,000
The Peter G. Dodge Foundation Recovery Study	-	24,377
Veterans Program	2,470,373	5,670
Quiet Time Program	-	590,000
Fetzer Memorial Trust	270,000	-
Heal the Healers Now	278,375	-
Time restrictions	<u>1,050,000</u>	<u>655,083</u>
	<u>\$ 4,887,965</u>	<u>\$ 2,482,750</u>

**David Lynch Foundation For
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Notes to Financial Statements
June 30, 2020 and 2019

8. License and Royalty Fees

In December 2016, the Foundation entered into a Publishing Agreement (the "Agreement") with a publisher to grant the exclusive right to publish a manuscript produced by the Foundation's executive director, who has also signed a separate agreement to gift any and all license and royalty proceeds of the manuscript to the Foundation. The Agreement includes payments to the Foundation of \$440,000 for the publication of the manuscript plus royalties on all copies sold by the publisher.

The Agreement also provides for advance payments for the years ended June 30, 2020 and 2019. In addition, the Agreement provides for additional royalty fees to be paid to the Foundation based on future sales of the manuscript. The Foundation received approximately \$15,000 and \$37,000 for the years ended June 30, 2020 and 2019, respectively.

9. Operating Lease Commitments

Occupancy

The Foundation has non-cancelable operating leases as a lessee for office space in New York, Los Angeles, Washington, D.C. and Chicago that expire at various dates through October 2027. These leases contain renewal options and some require the Foundation to pay all executor costs such as taxes, maintenance, and insurance.

Future annual minimum lease commitments under these operating leases that have remaining terms in excess of one year are as follows for years ending June 30:

2021	\$	750,250
2022		776,596
2023		799,609
2024		823,306
2025		302,727
Thereafter		<u>62,300</u>
	\$	<u>3,514,788</u>

Rent expense totaled approximately \$917,000 and \$1,069,000 for the years ended June 30, 2020 and 2019, respectively, which is included within occupancy expenses on the accompanying statements of functional expenses.

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Notes to Financial Statements
June 30, 2020 and 2019

9. Operating Lease Commitments (continued)

Rental Income

During the year ended June 30, 2020, the Foundation entered into two non-cancelable operating leases as lessor to sublet a portion of its office space in New York. The subleases expire in October 2024.

Future minimum rental payments for the year ending June 30 are as follows:

2021	\$	245,774
2022		247,870
2023		255,306
2024		262,965
2025		89,996
		<u>\$ 1,101,911</u>

Rental income was approximately \$152,000 for the year ended June 30, 2020.

10. Donated Services

The Foundation receives services provided by various individuals and organizations. The value of services provided is to be reported as support and expenses in the financial statements if the services meet the following criteria:

- A. The donated services would create or enhance non-financial assets; or
- B. The donated services would require specialized skills, would be performed by people with those skills, and would otherwise be purchased by the Foundation.

Using this criteria, the value of services provided to the Foundation has been reported in these financial statements, and the services have been valued using the costs applicable for each service.

Donated services in relation to pro-bono legal services received by the Foundation totaled \$0 and \$12,503 for the years ended June 30, 2020 and June 30, 2019, respectively.

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Notes to Financial Statements
June 30, 2020 and 2019

11. Liquidity and Availability of Financial Assets

The Foundation's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows as of June 30:

	2020	2019
Financial assets at year end:		
Cash	\$ 2,288,198	\$ 3,722,094
Certificates of deposit	1,002,959	752,146
Contributions receivable, net	5,885,369	3,949,338
Employee receivables	3,710	8,185
Total Financial Assets	9,180,236	8,431,763
Less: net assets with donor restrictions	(6,975,664)	(6,693,328)
Add next year's release of donor restrictions	2,013,000	4,887,965
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 4,217,572	\$ 6,626,400

The Foundation monitors its cash needs regularly and receives grants and contributions throughout the year in addition to special events and program revenue earned from services provided. The Foundation also has \$4,000,000 in aggregate from two line of credit arrangements which it can draw upon in the event of a liquidity need. There is no balance outstanding on either line of credit as of June 30, 2020.

12. Contingencies

The ongoing Coronavirus ("COVID-19") pandemic has resulted in substantial volatility in the global economy. COVID-19 may have an adverse effect on the results of the Foundation's operations. Given the uncertainty around the extent and timing of the potential future spread or migration of COVID-19 and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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