

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

Financial Statements

June 30, 2019 and 2018

## **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, 2019 and 2018, 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, 2019 and 2018, 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.

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, the Foundation adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

*PKF O'Connor Davies, LLP*

November 14, 2019

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

Statements of Financial Position

	June 30	
	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash	\$ 3,722,094	\$ 3,880,760
Certificates of deposit	752,146	734,846
Contributions receivable	1,536,515	2,187,643
Employee receivables	8,185	11,288
Prepaid expenses	219,030	310,836
Total Current Assets	6,237,970	7,125,373
Non-current Assets		
Contributions receivable, net of discount	2,412,823	2,147,906
Security deposits	225,905	258,491
Property and Equipment		
Furniture and fixtures	370,749	359,451
Equipment	288,101	298,755
	658,850	658,206
Less accumulated depreciation	388,584	317,959
	270,266	340,247
Total Non-current Assets	2,908,994	2,746,644
	<b>\$ 9,146,964</b>	<b>\$ 9,872,017</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 316,132	\$ 917,893
Accrued vacation	89,167	103,315
Total Current Liabilities	405,299	1,021,208
Net Assets		
Without donor restrictions	2,048,337	5,586,269
With Donor Restrictions		
Time restricted	3,486,546	2,791,629
Purpose restricted	3,206,782	472,911
	6,693,328	3,264,540
Total Net Assets	8,741,665	8,850,809
Total Liabilities and Net Assets	<b>\$ 9,146,964</b>	<b>\$ 9,872,017</b>

See notes to financial statements

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

Statements of Activities

	Year Ended					
	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contribution and grant revenue	\$ 5,590,570	\$ 5,911,538	\$ 11,502,108	\$ 9,559,169	\$ 2,711,538	\$ 12,270,707
Special events (net of \$304,461 and \$382,353 direct benefit to donors for 2019 and 2018)	101,615	-	101,615	1,090,932	-	1,090,932
Program revenue	780,489	-	780,489	422,367	-	422,367
License and royalty fees	37,273	-	37,273	325,245	-	325,245
Interest income	10,529	-	10,529	12,741	-	12,741
Net assets released from restrictions	2,482,750	(2,482,750)	-	1,909,749	(1,909,749)	-
<b>Total Support and Revenue</b>	<u>9,003,226</u>	<u>3,428,788</u>	<u>12,432,014</u>	<u>13,320,203</u>	<u>801,789</u>	<u>14,121,992</u>
<b>EXPENSES</b>						
Program	10,266,913	-	10,266,913	11,417,540	-	11,417,540
Management and general	1,086,001	-	1,086,001	897,748	-	897,748
Fundraising	1,188,244	-	1,188,244	1,788,018	-	1,788,018
<b>Total Expenses</b>	<u>12,541,158</u>	<u>-</u>	<u>12,541,158</u>	<u>14,103,306</u>	<u>-</u>	<u>14,103,306</u>
Change in Net Assets	(3,537,932)	3,428,788	(109,144)	(783,103)	801,789	18,686
<b>NET ASSETS</b>						
Beginning of year	<u>5,586,269</u>	<u>3,264,540</u>	<u>8,850,809</u>	<u>6,369,372</u>	<u>2,462,751</u>	<u>8,832,123</u>
End 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>

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	OWW	Women	CHW	DLFtv	DLF Live	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**

**Statement of Functional Expenses  
Year Ended June 30, 2018**

	Education	OWW	Women	CHW	DLFtv	DLF Live	Government	International	Other Programs	Total Program	Management and General	Fundraising	Total
Personnel	\$ 907,172	\$ 240,837	\$ 265,882	\$ 295,796	\$ 372,564	\$ 383,419	\$ 329,295	\$ 63,387	\$ 580,699	\$ 3,439,051	\$ 422,164	\$ 781,763	\$ 4,642,978
Grants	2,929,978	242,313	184,734	240,126	-	4,608	28,593	481,140	227,053	4,338,545	-	-	4,338,545
Program expenses	110,839	1,742	1,170	2,457	-	41	287	525	3,341	120,402	-	-	120,402
Program research	47,618	9,043	3,910	-	-	-	3,345	1,000	60,134	125,050	-	-	125,050
Retreat expenses	32,608	-	-	160	-	-	-	-	1,544	34,312	1,051	17,668	53,031
Production and media	237	5,800	-	-	41,748	78,458	-	-	1,232	127,475	-	173,455	300,930
Printing and advertising	2,718	673	5	7	-	984	6	1	951	5,345	27	22,033	27,405
Special events and annual gala	438	-	-	-	464	823,537	-	-	823	825,262	-	394,046	1,219,308
Cultivation expense	53	-	68	914	-	1,553	306	-	518	3,412	-	20,150	23,562
Consultants/website design	153,428	77,265	21,904	5,287	3,051	144,344	40,594	2,973	131,572	580,418	135,276	319,241	1,034,935
Occupancy	191,584	45,896	37,643	239,036	56,031	68,183	88,450	10,453	178,511	915,787	52,886	148,875	1,117,548
Telephone and internet	9,578	2,202	1,861	3,577	3,368	3,878	3,406	856	7,245	35,971	6,123	8,970	51,064
Postage and shipping	3,717	213	51	82	1,825	870	1,421	43	2,651	10,873	2,894	18,491	32,258
Office supplies and equipment rent	9,502	2,828	2,395	2,732	3,161	2,623	2,387	636	8,500	34,764	6,316	10,068	51,148
IT (software, hardware and web)	21,400	621	767	2,853	14,164	4,588	220	9	6,482	51,104	29,676	37,184	117,964
Audit	-	-	-	-	-	-	-	-	-	-	18,500	-	18,500
Membership and subscriptions	2,281	998	446	178	114	784	176	22	1,126	6,125	1,725	14,721	22,571
Professional development	26,659	3,048	138	92	-	-	59	-	4,831	34,827	3,926	7,893	46,646
Travel and meetings	72,425	21,880	3,020	12,037	22,418	36,262	25,425	7,359	89,633	290,459	49,736	86,409	426,604
Insurance	-	-	-	-	4,470	-	-	-	-	4,470	78,614	-	83,084
Legal	687	-	-	-	-	21,105	6,175	-	10,240	38,207	31,391	85	69,683
Bank and credit card fees	182	552	69	13,371	83	-	171	209	2,974	17,611	2,028	21,728	41,367
Third party fees	-	-	-	-	313,756	-	-	-	-	313,756	-	75,913	389,669
Donated services	-	-	-	-	-	4,500	-	-	1,911	6,411	-	-	6,411
Bad debt	-	-	-	-	-	-	-	-	-	-	43,899	-	43,899
Depreciation	15,976	5,434	4,217	4,947	4,623	5,109	7,785	973	8,839	57,903	11,516	11,678	81,097
	<u>4,539,080</u>	<u>661,345</u>	<u>528,280</u>	<u>823,652</u>	<u>841,840</u>	<u>1,584,846</u>	<u>538,101</u>	<u>569,586</u>	<u>1,330,810</u>	<u>11,417,540</u>	<u>897,748</u>	<u>2,170,371</u>	<u>14,485,659</u>
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	(382,353)	(382,353)
	<u>\$ 4,539,080</u>	<u>\$ 661,345</u>	<u>\$ 528,280</u>	<u>\$ 823,652</u>	<u>\$ 841,840</u>	<u>\$ 1,584,846</u>	<u>\$ 538,101</u>	<u>\$ 569,586</u>	<u>\$ 1,330,810</u>	<u>\$ 11,417,540</u>	<u>\$ 897,748</u>	<u>\$ 1,788,018</u>	<u>\$ 14,103,306</u>

See notes to financial statements

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

Statements of Cash Flows

	Year Ended June 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (109,144)	\$ 18,686
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	31,370	43,899
Depreciation	98,045	81,097
Change in operating assets and liabilities		
Contributions and employee receivables	357,944	2,662,764
Prepaid expenses	91,806	(73,166)
Inventory	-	3,340
Security deposits	32,586	21,130
Accounts payable	(601,761)	546,186
Accrued vacation	(14,148)	27,077
Net Cash from Operating Activities	(113,302)	3,331,013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity of certificates of deposit	742,383	1,181,870
Purchase of certificates of deposit	(759,684)	(1,916,716)
Purchase of property and equipment	(28,064)	(131,208)
Net Cash from Investing Activities	(45,364)	(866,054)
Net Change in Cash	(158,666)	2,464,959
<b>CASH</b>		
Beginning of year	3,880,760	1,415,801
End of year	\$ 3,722,094	\$ 3,880,760

See notes to financial statements



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

Notes to Financial Statements  
June 30, 2019 and 2018

**1. Organization and Tax Status**

The David Lynch Foundation For Consciousness-Based Education and World Peace (the “Foundation”), 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 education program, Quiet Time, focuses on students in low income urban schools; growing up in an oppressive climate of poverty, violence, and fear, limiting their abilities to focus and learn to impact life outcomes. The Quiet Time program is a practical evidence-based approach that has been proven to improve focus, academic performance, and student wellness while reducing stress, absenteeism, suspensions, and negative behaviors. Quiet Time 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. Research also suggests that teachers and administrators who practice TM experience reduced stress and burnout. DLF-funded Quiet Time programs include public and private charter schools in New York, Los Angeles, Chicago, San Francisco, and Washington, D.C.

***Resilient Warrior Program (OWW)***

This program provides TM training to veterans and active-duty personnel living with post-traumatic stress, which has reached epidemic proportions affecting hundreds of thousands and their families. Many returning veterans are unable to hold jobs, support their families, or maintain positive relationships - TM has proven to be an effective tool for addressing these issues. The results of a Department of Defense study (published in late 2018) on the impact of TM in this population showed it to be as effective as prolonged exposure, the current best practice for PTSD. The Resilient Warrior Program works with major veterans’ service organizations, including Veterans Administration facilities in all five boroughs of New York City, Los Angeles, at the Boulder Crest Retreat for Wounded Warriors, and at Fort Gordon; among many others. The Foundation also began a partnership in 2018 at National Defense University in Washington D.C. an organization facilitating high level training, education, and national security strategy.

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

Notes to Financial Statements  
June 30, 2019 and 2018

**1. Organization and Tax Status (continued)**

***Women's Health Initiative (Women)***

The Women's Health Initiative focuses on survivors of domestic violence and sexual assault. 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, formerly Center for Leadership and Performance (CLP), provides TM training for New York City-area business professionals. CHW's courses help organizations and their executives fulfill an important aspect of professional development and wellness initiatives; while increasing stamina and efficiency in the workplace. By offering TM to companies, CHW provides significant opportunities to further awareness of the impact of TM and the Foundation's work, while developing new opportunities to increase both contributed and earned income.

***DLFtv***

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

***DLF Live***

DLF Live produces events with major artists in all disciplines to help increase awareness of DLF and, in support of the mission, educate the public about the impact and benefits of TM. DLF Live commissions the world's premiere artists, designers, and musicians to create and donate one-of-a-kind new compositions, participate in special events, and offer exclusive auction experiences. These are sold to benefit the Foundation's programs to reduce toxic stress and trauma and to improve the quality of life of the under-resourced populations served.

***International***

The Foundation provides support to programs for under-resourced populations beyond the United States, enabling vulnerable populations to access TM training.

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

Notes to Financial Statements  
June 30, 2019 and 2018

**1. Organization and Tax Status (continued)**

***Other Programs***

*Washington, D.C.*

In early 2018, the Foundation opened The Meditation Center at THEARC (Town Hall Education Arts Recreation Campus), an acclaimed cultural and social services campus with 14 resident partners in Washington, D.C. serving the communities of Wards 7 and 8. In addition to providing services to the community, the Foundation's partnerships at THEARC include collaborations with other resident organizations such as Children's National Health Systems, Boys & Girls Clubs of Greater Washington, and Apple Tree Early Learning Center.

*HIV Wellness*

For decades, TM has been used as an adjunct HIV/AIDS treatment by many individuals who must confront, on a daily basis, serious mental/emotional challenges as well as the dangers of a compromised immune system. The Foundation 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.

*Prisons*

The recidivism rates in U.S. prisons are unacceptable and carry extraordinary human and financial costs that affect current and future victims of violence, the inmates themselves, and society as a whole. The Foundation helps to corroborate the merits of TM with prison rehabilitation through the establishment of large-scale demonstration projects in key penitentiaries coast to coast, from New York to Oregon.

*Recovery Program*

The Foundation began to pilot expansion programs with organizations supporting people in addiction and recovery. A program with Central Nassau Guidance and Counseling Services on Long Island, teaching both staff and clients, has become a test model for developing partnerships in the New York metropolitan area.

***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).

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

Notes to Financial Statements  
June 30, 2019 and 2018

**2. Summary of Significant Accounting Policies (continued)**

***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.

***Change in Accounting Principle***

On July 1, 2018, the Foundation adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Foundation to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Foundation to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior period amounts for temporarily restricted net assets are now presented as net assets with donor restrictions, and unrestricted assets are now presented as net assets without donor restrictions.

***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.

***Contributions Receivable***

Contributions receivable are all deemed by management to be collectable. Accordingly, there is no allowance for doubtful accounts. 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  
Consciousness-Based Education and World Peace**

Notes to Financial Statements  
June 30, 2019 and 2018

**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 is recognized as revenue when 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, 2016.

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**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 2018 accounts have been reclassified to conform with the 2019 financial statements.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through November 14, 2019, 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, 2019 and 2018 was concentrated, with forty-nine percent and forty-four percent owed from three donors. Additionally, the Foundation received approximately fifty-seven percent and thirty-seven percent of its total support and revenue from two donors during the years ended June 30, 2019 and 2018.

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 with highly rated financial institutions. At times, cash balances may be in excess of federally insured limits.

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**4. Contributions Receivable**

The Foundation received unconditional restricted contributions which have been recorded net of a present value discount of 4.94% and 4.73% at June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Due in two or more years	\$ 2,660,000	\$ 2,375,000
Less discount	<u>(247,177)</u>	<u>(227,094)</u>
	2,412,823	2,147,906
Due in one year or less	<u>1,536,515</u>	<u>2,187,643</u>
	<u>\$ 3,949,338</u>	<u>\$ 4,335,549</u>

**5. Line of Credit**

On October 12, 2018, the Foundation entered into two separate line of credit notes to borrow up to \$4,500,000 in aggregate. The Foundation can borrow up to \$1,000,000 on the first line of credit at a borrowing rate of 4.489% plus the London interbank offered rate ("LIBOR") with the outstanding balance to be repaid on or before January 20, 2020. The Foundation may borrow up to \$3,500,000 on the second line of credit at a borrowing rate of 5.059% plus LIBOR with the outstanding balance to be repaid on or before October 20, 2023. There was no outstanding balance on either line of credit as of June 30, 2019 and 2018.

**6. Net Assets with Donor Restrictions**

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

	<u>2019</u>	<u>2018</u>
Chicago School Programs	\$ 45,000	\$ 100,000
Education Program	2,160	5,760
Education Program - NY Crime Lab	3,000,000	-
International Program	9,132	17,084
Los Angeles School Program	-	14,830
Other programs	5,000	19,700
THEARC/Washington, D.C. Programs	140,000	280,000
The Peter G. Dodge Foundation Recovery Study	-	24,377
Veterans Program	5,490	11,160
Time restrictions	<u>3,486,546</u>	<u>2,791,629</u>
	<u>\$ 6,693,328</u>	<u>\$ 3,264,540</u>

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**6. Net Assets with Donor Restrictions (continued)**

Net assets released from restriction during the years ended June 30, 2018 and 2017 were as follows:

	2019	2018
Chicago School Programs	\$ 900,000	\$ 1,136,600
Education Program	13,260	57,020
International program	84,830	38,738
Los Angeles School Program	29,830	123,670
Other programs	39,700	-
THEARC/Washington, D.C. Programs	140,000	140,000
The Peter G. Dodge Foundation Recovery Study	24,377	87,321
Veterans Program	5,670	16,400
Quiet Time Program	590,000	-
Time restrictions	655,083	310,000
	\$ 2,482,750	\$ 1,909,749

**7. 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, 2019 and 2018. 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 \$37,000 and \$325,000 for the years ended June 30, 2019 and 2018.

**8. Operating Lease Commitments**

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 June 2027. These leases contain renewal options and some require the Foundation to pay all executor costs such as taxes, maintenance, and insurance.



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**8. Operating Lease Commitments (continued)**

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:

2020	\$ 861,829
2021	750,243
2022	776,596
2023	799,609
2024	823,306
Thereafter	<u>365,027</u>
	<u>\$ 4,376,610</u>

The Foundation had a non-cancelable operating sublease arrangement as the lessor for office space in New York that expired on June 30, 2018.

Rent expense totaling \$1,068,724 and \$972,210 for the years ended June 30, 2019 and 2018 is included in occupancy expenses on the accompanying statements of functional expenses.

**9. Donated Services**

The Foundation received services provided by various individuals and organizations during the year. 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 for the years ended June 30, 2019 and June 30, 2018 were \$12,503 and \$6,411 for pro-bono legal services.

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**10. 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:

Financial Assets	
Cash	\$ 3,722,094
Certificates of deposit	752,146
Contributions receivable	3,949,338
Other receivables	<u>8,185</u>
Total Financial Assets	8,431,763
Less: donor restricted for purpose and time	<u>(6,693,328)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,738,435</u>

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 \$4,500,000 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, 2019.

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