

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

Financial Statements

June 30, 2023 and 2022

## **Independent Auditors' Report**

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

### ***Opinion***

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, 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.

### ***Basis for Opinion***

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

### ***Change in Accounting Policy***

As discussed in Note 2 to the financial statements, the Foundation adopted Financial Accounting Standards Board ("FASB"), Leases (Topic 842), using the effective date method with July 1, 2022 as the date of initial adoption. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

*PKF O'Connor Davies, LLP*

January 12, 2024

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

Statements of Financial Position

	June 30	
	2023	2022
<b>ASSETS</b>		
Current Assets		
Cash	\$ 3,279,030	\$ 2,906,438
Contributions receivable, net	3,048,514	4,885,266
Prepaid expenses and other current assets	134,114	151,311
Total Current Assets	6,461,658	7,943,015
Non-current Assets		
Contributions receivable, net	2,258,237	1,028,363
Security deposits	204,569	204,469
Property and Equipment		
Furniture and fixtures	344,163	309,586
Equipment	279,738	272,622
	623,901	582,208
Less accumulated depreciation	523,010	477,697
	100,891	104,511
Right of use asset	1,244,612	-
Total Non-current Assets	3,808,309	1,337,343
Total Assets	\$ 10,269,967	\$ 9,280,358
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 456,339	\$ 366,609
Line of credit	400,000	-
Accrued vacation	99,794	117,446
Short term lease liability	893,496	-
Total Current Liabilities	1,849,629	484,055
Non-current Liabilities		
Paycheck Protection Program loan	-	764,005
Long term lease liability	369,608	-
Total Liabilities	2,219,237	1,248,060
Net Assets		
Without donor restrictions	856,898	140,616
With donor restrictions		
Time restricted	4,980,000	4,280,556
Purpose restricted	2,213,832	3,611,126
	7,193,832	7,891,682
Total Net Assets	8,050,730	8,032,298
Total Liabilities and Net Assets	\$ 10,269,967	\$ 9,280,358

See notes to financial statements

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

Statements of Activities

	Year Ended					
	June 30, 2023			June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING SUPPORT AND REVENUE</b>						
Contribution and grant revenue	\$ 4,956,648	\$ 3,107,900	\$ 8,064,548	\$ 4,041,305	\$ 4,064,190	\$ 8,105,495
Paycheck Protection Program loan forgiveness	716,913	-	716,913	-	-	-
Special events (net of \$378,077 direct benefit to donors for 2023)	236,417	-	236,417	-	-	-
Program revenue	323,188	-	323,188	347,469	-	347,469
Sublease income	260,742	-	260,742	253,244	-	253,244
In-kind contributions	75,000	-	75,000	43,750	-	43,750
Interest income	54,764	-	54,764	825	-	825
License and royalty fees	2,556	-	2,556	94,661	-	94,661
Net assets released from restrictions	3,805,750	(3,805,750)	-	3,172,735	(3,172,735)	-
Total Operating Support and Revenue	<u>10,431,978</u>	<u>(697,850)</u>	<u>9,734,128</u>	<u>7,953,989</u>	<u>891,455</u>	<u>8,845,444</u>
<b>OPERATING EXPENSES</b>						
Program	7,447,897	-	7,447,897	6,284,902	-	6,284,902
Management and general	1,058,767	-	1,058,767	1,610,566	-	1,610,566
Fundraising	1,209,032	-	1,209,032	1,321,616	-	1,321,616
Total Operating Expenses	<u>9,715,696</u>	<u>-</u>	<u>9,715,696</u>	<u>9,217,084</u>	<u>-</u>	<u>9,217,084</u>
Change in Net Assets before Non-Operating Activity	716,282	(697,850)	18,432	(1,263,095)	891,455	(371,640)
<b>NON-OPERATING ACTIVITY</b>						
Valuation adjustment	-	-	-	500,000	(500,000)	-
Change in Net Assets	716,282	(697,850)	18,432	(763,095)	391,455	(371,640)
<b>NET ASSETS (DEFICIT)</b>						
Beginning of year	<u>140,616</u>	<u>7,891,682</u>	<u>8,032,298</u>	<u>903,711</u>	<u>7,500,227</u>	<u>8,403,938</u>
End of year	<u>\$ 856,898</u>	<u>\$ 7,193,832</u>	<u>\$ 8,050,730</u>	<u>\$ 140,616</u>	<u>\$ 7,891,682</u>	<u>\$ 8,032,298</u>

See notes to financial statements

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

**Statement of Functional Expenses  
Year Ended June 30, 2023**

	Program										Management and General	Fundraising	2023 Total	2022 Total
	HFHC	Veterans	Women	The Mediation Center	Government (Resilient Responders)	Heal the Healers	International	Other Programs	Total Program					
Personnel	\$ 270,554	\$ 515,811	\$ 64,236	\$ 306,824	\$ 569,329	\$ 670,548	\$ -	\$ 1,072,547	\$ 3,469,849	\$ 352,877	\$ 721,932	\$ 4,544,658	\$ 4,284,688	
Grants	148,928	44,002	22,750	29,785	99,148	197,874	59,486	212,902	814,875	6,867	-	821,742	945,799	
Program expenses	19,688	53,921	587	4,330	5,695	4,851	3,138	21,774	113,984	438	-	114,422	91,713	
Program research	1,500	664,074	-	-	2,344	47,487	6,065	5,999	727,469	-	-	727,469	241,216	
Retreat expenses	-	-	-	-	-	938	-	205	1,143	-	-	1,143	13,198	
Production and media	768	6,317	187	2,176	9,817	4,866	2,422	62,984	89,537	7,778	23,054	120,369	87,648	
Printing and advertising	-	-	-	-	-	-	-	-	-	1,261	-	1,261	6,951	
Special events and annual gala	-	-	-	-	-	-	10,800	33,158	43,958	-	335,503	379,461	80,154	
Cultivation expense	2,109	7,223	65	1,188	1,607	905	17	77,030	90,144	2,194	1,115	93,453	10,820	
Consultants/website design	13,662	27,557	2,481	74,085	304,394	130,775	3,623	337,318	893,895	59,586	220,363	1,173,844	826,781	
Occupancy	54,773	96,344	6,995	36,883	110,596	93,822	8,325	146,049	553,787	480,558	118,890	1,153,235	1,022,413	
Telephone and internet	927	5,752	145	1,225	5,850	2,429	194	9,535	26,057	4,816	2,353	33,226	22,930	
Postage and shipping	102	781	19	259	359	603	458	1,674	4,255	863	363	5,481	3,321	
Office supplies and equipment rental	2,344	7,294	465	2,815	5,648	5,593	527	19,037	43,723	15,987	6,021	65,731	45,599	
IT (software, hardware and web)	10,857	17,001	521	9,103	10,106	19,776	1,166	29,544	98,074	20,096	72,044	190,214	209,129	
Audit	869	1,259	150	531	2,446	1,711	194	3,613	10,773	6,186	5,040	21,999	20,500	
Membership and subscriptions	46	194	9	63	193	1,178	8	3,967	5,658	394	1,606	7,658	8,277	
Professional development	99	275	17	61	1,097	198	23	2,414	4,184	742	560	5,486	119,814	
Travel and meetings	9,031	21,883	3,324	12,292	33,805	33,567	5,157	68,714	187,773	27,680	40,629	256,082	309,677	
Insurance	3,873	8,605	830	3,193	7,347	10,774	1,526	15,760	51,908	28,874	8,517	89,299	81,197	
Legal	6,371	8,501	574	6,898	6,976	6,844	671	17,629	54,464	19,983	8,481	82,928	59,124	
Bank and credit card fees	1,946	6,743	390	4,295	4,319	4,663	1,303	12,090	35,749	12,218	17,963	65,930	20,884	
Third party fees	5	7	-	4	15	10	7,056	20,482	27,579	221	186	27,986	115,252	
Donated services - occupancy	-	-	-	75,000	-	-	-	-	75,000	-	-	75,000	43,750	
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	510,000	
Depreciation	1,407	5,472	293	2,139	3,688	3,226	335	7,499	24,059	9,148	2,489	35,696	36,249	
	<u>549,859</u>	<u>1,499,016</u>	<u>104,038</u>	<u>573,149</u>	<u>1,184,779</u>	<u>1,242,638</u>	<u>112,494</u>	<u>2,181,924</u>	<u>7,447,897</u>	<u>1,058,767</u>	<u>1,587,109</u>	<u>10,093,773</u>	<u>9,217,084</u>	
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	(378,077)	(378,077)	-	
	<u>\$ 549,859</u>	<u>\$ 1,499,016</u>	<u>\$ 104,038</u>	<u>\$ 573,149</u>	<u>\$ 1,184,779</u>	<u>\$ 1,242,638</u>	<u>\$ 112,494</u>	<u>\$ 2,181,924</u>	<u>\$ 7,447,897</u>	<u>\$ 1,058,767</u>	<u>\$ 1,209,032</u>	<u>\$ 9,715,696</u>	<u>\$ 9,217,084</u>	

See notes to financial statements

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

**Statement of Functional Expenses  
Year Ended June 30, 2022**

	Program											Total
	HFHC	Veterans	Women	The Mediation Center	Government (Resilient Responders)	Heal the Healers	International	Other Programs	Total Program	Management and General	Fundraising	
Personnel	\$ 292,704	\$ 577,140	\$ 57,659	\$ 107,746	\$ 547,025	\$ 602,608	\$ -	\$ 963,476	\$ 3,148,358	\$ 435,253	\$ 701,077	\$ 4,284,688
Grants	152,367	96,917	11,620	39,816	103,975	246,977	68,932	218,755	939,359	6,440	-	945,799
Program expenses	1,386	1,826	452	6,162	9,469	4,084	-	65,976	89,355	2,358	-	91,713
Program research	289	189,873	-	-	1,225	42,734	3,210	3,885	241,216	-	-	241,216
Retreat expenses	400	-	-	-	-	-	-	12,798	13,198	-	-	13,198
Production and media	2,489	15,258	4	2,470	36,688	4,691	660	15,803	78,063	2,466	7,119	87,648
Printing and advertising	-	-	-	-	-	-	-	-	-	1,057	5,894	6,951
Special events and annual gala	-	-	-	-	1,000	-	-	1,507	2,507	-	77,647	80,154
Cultivation expense	210	734	36	1,465	1,748	488	-	847	5,528	1,867	3,425	10,820
Consultants/website design	22,255	16,802	523	56,645	249,647	87,806	1,411	137,115	572,204	25,562	229,015	826,781
Occupancy	39,964	77,174	5,567	16,565	109,024	93,782	7,435	112,461	461,972	463,654	96,787	1,022,413
Telephone and internet	558	3,864	80	295	4,649	1,203	103	7,337	18,089	3,473	1,368	22,930
Postage and shipping	163	318	13	95	528	206	16	517	1,856	725	740	3,321
Office supplies and equipment rental	2,297	4,838	329	1,208	5,559	4,487	486	7,947	27,151	13,485	4,963	45,599
IT (software, hardware and web)	10,846	14,088	408	8,388	13,981	14,850	452	37,671	100,684	20,477	87,968	209,129
Audit	1,026	1,601	124	238	2,261	2,435	136	3,148	10,969	6,627	2,904	20,500
Membership and subscriptions	26	92	5	18	203	1,360	2	4,232	5,938	603	1,736	8,277
Professional development	943	20	241	454	114,424	1,013	3	338	117,436	2,367	11	119,814
Travel and meetings	5,875	46,342	2,256	7,536	62,274	29,667	42	46,962	200,954	35,247	73,476	309,677
Insurance	4,675	6,934	521	1,606	12,905	7,603	236	10,379	44,859	25,798	10,540	81,197
Legal	9,299	1,161	122	456	1,903	1,971	63	4,137	19,112	38,134	1,878	59,124
Bank and credit card fees	151	2,594	22	2,068	260	304	716	5,156	11,271	606	9,007	20,884
Third party fees	624	938	70	216	1,718	1,017	35	105,529	110,147	3,444	1,661	115,252
Donated services - occupancy	-	-	-	43,750	-	-	-	-	43,750	-	-	43,750
Bad debt	-	-	-	-	-	-	-	-	-	510,000	-	510,000
Depreciation	1,520	2,658	285	1,075	4,038	3,674	137	7,539	20,926	10,923	4,400	36,249
	<u>\$ 550,067</u>	<u>\$ 1,061,172</u>	<u>\$ 80,337</u>	<u>\$ 298,272</u>	<u>\$ 1,284,504</u>	<u>\$ 1,152,960</u>	<u>\$ 84,075</u>	<u>\$ 1,773,515</u>	<u>\$ 6,284,902</u>	<u>\$ 1,610,566</u>	<u>\$ 1,321,616</u>	<u>\$ 9,217,084</u>

See notes to financial statements

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

Statements of Cash Flows

	Year Ended June 30	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 18,432	\$ (371,640)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Paycheck Protection Program loan forgiveness	(716,913)	-
Discount to present value	80,126	8,124
Bad debt expense	-	510,000
Depreciation	35,696	36,249
Loss on disposal of equipment	11,752	3,671
Amortization of right of use asset	952,404	-
Change in operating assets and liabilities		
Contributions receivable	526,752	(1,258,992)
Prepaid expenses and other current assets	17,197	(4,821)
Security deposits	(100)	(4,105)
Accounts payable	89,730	161,541
Accrued vacation	(17,652)	35,605
Payments on lease liability	(933,912)	-
Net Cash from Operating Activities	63,512	(884,368)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(43,828)	(34,219)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Paycheck Protection Program loan	(47,092)	-
Proceeds from line of credit	505,236	-
Repayment of line of credit	(105,236)	-
Net Cash from Financing Activities	352,908	-
Net Change in Cash	372,592	(918,587)
<b>CASH</b>		
Beginning of year	2,906,438	3,825,025
End of year	\$ 3,279,030	\$ 2,906,438

See notes to financial statements



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

Notes to Financial Statements  
June 30, 2023 and 2022

**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 program is used to improve their health, cognitive capabilities and performance in life. 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.

***The Meditation Center – NY***

The Meditation Center - NY, formerly called the Center for Health and Wellness (CHW) or Center for Leadership and Performance (CLP), provides TM training courses for New York City and Los Angeles area business professionals. This professional development program provides a technique to overcome stress, enhance creativity, and 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 workplace training and wellness initiatives. The newest program expansion is an onsite Meditation Center on the Amenities Floor at the new 425 Park Avenue building, where tenants in the building such as Citadel and Hellman & Friedman will easily be able to learn TM. CHW also furthers awareness of the impact of DLF’s work and the effectiveness of TM.

***Healthy Families Healthy Communities (HFHC) NY***

The Foundation’s outreach program focused on serving communities and populations that experience trauma and toxic stress in the New York City area. The populations served within Healthy Families Healthy Communities (HFHC) include students and parents in low-income schools, school teachers, community groups, Latino and Black community members, and college students. Instructions take place at schools, community centers, local businesses and at DLF offices in midtown Manhattan. Through this citywide initiative, DLF is working towards addressing health inequities in New York City, as well as increasing the wellness and wellbeing of NYC government workers and community members. In partnering with NYC government agencies, DLF continues the focused effort of demonstrating the effectiveness of TM and the importance of getting instructions covered by health insurance.

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

Notes to Financial Statements  
June 30, 2023 and 2022

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

***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 quickly mobilized to respond to the needs of healthcare workers. Now three years on, the program is needed more than ever with PTSD symptoms, burnout and staff leaving the profession due to anxiety and stress. The response from healthcare workers, hospitals, research centers, and donors has been extraordinary. As of October 2023, TM instruction has taken place in 85 hospitals and medical centers around the country, including research focused on TM and healthcare provider wellness at 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 our nation's health care industry and its medical providers will have additional evidence of TM's effectiveness; which helps to secure and allocate funding for further TM instruction.

***International Programs***

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.

***Veterans (Resilient Warrior Program)***

This program provides TM training to veterans, active-duty personnel and military families. TM has been shown to relieve symptoms of post-traumatic stress disorder (PTSD) and major depression among veterans. The Resilient Warrior Program partners with major veteran service organizations including VA hospitals nationwide; National Defense University in Washington, DC; Boulder Crest Retreat Centers, EOD Warrior Foundation; residential substance abuse treatments centers in New York City; City University of New York Office of Veterans; numerous military bases, including Ft. Bragg, Ft. Gordon, Ft. Belvoir, and Ft. Hamilton. In 2022, DLF launched the largest study ever conducted on the impact of meditation on veterans with PTSD. The study is a multi-site randomized controlled trial that will evaluate whether TM is effective as a first line treatment for PTSD. Secondary outcomes will include depression, suicidal ideation, alcohol craving/usage, sleep quality and quality of life and include a neuroimaging and biological component, showing the impacts of TM. The 6-site study is taking place at research universities around the U.S. with approximately 360 subjects. The research study sites include; Columbia University, Northwell Health, Stanford University, UCSD, Mt. Sinai and USC. The goal of the study is to secure long-term government funding for TM.

**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2023 and 2022

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

***Resilient Responders (Law Enforcement & Firefighters)***

This program provides TM training to law enforcement officers, firefighters and emergency medical technicians who have experienced PTSD and substance use disorder. Program partners have included the New York City Fire Department, the Los Angeles Fire Department, the New York City Police Department, Front Range Fire Department, CO and the Herndon (VA) Police Department.

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

The Women's Health Initiative provides TM training for survivors of any gender or agender who have experienced domestic or gender-based violence or 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.

***Other Programs***

***Awareness***

The Awareness program 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.

***HIV Wellness***

For decades, Transcendental Meditation 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.

**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2023 and 2022

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

***Other Programs (continued)***

*Los Angeles Programs*

DLF began serving the Los Angeles community in 2010. In 2019 the Healthy Families/Healthy Communities program was created to expand the mission to support students and their families in Southern California. Under the HF/HC program DLF has forged a powerful partnership with Los Angeles Unified School District's Student Health and Human Services Department to provide TM training to their frontline mental health providers as well as district leadership. In 2022 Los Angeles Unified School District expanded the partnership to include providing TM instruction for educators and families at individual school sites and their community wellness centers. The public charter school program partnerships continue under the HF/HC umbrella as well. DLF also provides programs for community centers serving youth that have been incarcerated, veterans and first responders who suffer from symptoms of PTSD, women survivors of domestic violence, individuals in recovery from substance abuse disorders, and frontline mental health providers.

*Meditate New York*

Meditate New York will create a public-private partnership with nonprofit organizations skilled in teaching different scientifically proven meditation techniques to New Yorkers in need. Together, they will help to transform the city by healing trauma, building resilience, and promoting physical and mental well-being during these challenging times.

*Washington, D.C.*

The Meditation Center (TMC) at THEARC (Town Hall Education Arts Recreation Campus) is a division of the Center for Resilience of the Foundation. Since 2018, DLF has continued to work in partnership with 13 nationally acclaimed organizations based at THEARC, and with several longstanding community-based organizations to provide TM courses and ongoing support to residents of one of DC's most under-resourced communities. Collaborations have been fostered and expanded with organizations such as: Children's National Health System, Community of Hope, DC Central Kitchen, Horton's Kids, Whitman Walker Health, Bellevue Family Success Center, and others. 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.

***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.

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Notes to Financial Statements  
June 30, 2023 and 2022

**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.

***Change in Accounting Policy***

***Leases***

DLF adopted Financial Accounting Standards Board (“FASB”) Topic 842, Leases, using the effective date method with July 1, 2022, as the date of initial adoption. In adopting Topic 842, DLF elected to use the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. DLF adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment. Accordingly, DLF will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, DLF recognized a lease liability of \$2,149,627, that represents the present value of the remaining operating lease payments of \$2,224,610 discounted using the normalized risk-free rate of 2.84% and a right-of-use asset of \$2,149,627. Adoption of the standard had a material impact on DLF’s statement of financial position but did not have an impact on the statements of activities and cash flows. The most significant impact was the recognition of the right-of-use asset and lease liability for operating leases.

***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.

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Notes to Financial Statements  
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**2. Summary of Significant Accounting Policies (continued)**

***Net Asset Presentation (continued)***

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".

***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 \$510,000 of uncollectible receivables during 2022, and has recorded a reserve of \$45,000 against contributions receivable as of June 30, 2023 and 2022.

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.

***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.

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Notes to Financial Statements  
June 30, 2023 and 2022

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

***Contributions, Special Events and Grant Revenue (continued)***

Contributions of land, buildings, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenue with donor restrictions class; the restrictions are considered to be released when such long-lived assets are placed in service.

***In-kind Contributions***

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

During the years ended June 30, 2023 and 2022, the Foundation received donated office space in New York City, valued at \$75,000 and \$43,750. The fair value for these services is based on the estimated fair value of recent comparable rent rates in the surrounding New York City area. This space was utilized in the Foundation's program activities and had no donor restrictions imposed on this contribution.

***Program Revenue***

Program revenue for transcendental meditation courses and instructional workshops is recognized as revenue when such services are provided, fulfilling the performance obligation at a point in time.

***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, 2020.

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Notes to Financial Statements  
June 30, 2023 and 2022

**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, including personnel, consultants/website design, occupancy and IT, which 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 items in the 2022 financial statements were reclassified to conform to the 2023 financial statements.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through January 12, 2024, the date which the financial statements were available to be issued. No other 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.

***Leases***

As of July 1, 2022, DLF has leases for office space and determines if these arrangements are leases at inception. Operating leases are included in operating lease right-of-use assets ("ROU assets") and lease liabilities on the accompanying statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, DLF uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease. When it is reasonably certain that DLF will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for the lease payments is recognized on a straight-line basis of the lease term.

DLF's lease agreement does not contain any material residual value guarantees or material restrictive covenants.



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Notes to Financial Statements  
June 30, 2023 and 2022

**3. Concentration of Credit Risk**

The credit risk for contributions receivable at June 30, 2023 and 2022 was concentrated, with 78% and 89% owed from eight and nine donors, respectively. Additionally, the Foundation received approximately 59% and 58% of its contribution and grant revenue from five and six donors during the years ended June 30, 2023 and 2022.

The Foundation believes the risk is minimal due to the payment history of the donors. These contributions receivable 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.

Financial instruments that potentially subject the Foundation to concentrations of credit and market risk consist principally of receivables which are expected to be collected in the normal course of business, and cash on deposit with financial institutions. Deposits held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times cash balances may exceed the FDIC limit. As of June 30, 2023 and 2022, the Foundation's uninsured cash balances on deposit totaled approximately \$3,029,000 and \$2,656,000.

**4. Contributions Receivable**

The Foundation received unconditional contributions which have been recorded net of a present value discount of 5.06% and 5.75% at June 30, 2023 and 2022 as follows:

	2023	2022
Due in two or more years	\$ 2,500,000	\$ 1,190,000
Less:		
Allowance for doubtful accounts	(45,000)	(45,000)
Discount to present value	(196,763)	(116,637)
	2,258,237	1,028,363
Due in one year or less	3,048,514	4,885,266
Total Contributions Receivable	\$ 5,306,751	\$ 5,913,629

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Notes to Financial Statements  
June 30, 2023 and 2022

**5. Line of Credit**

The Foundation has a line of credit (the “LOC”) arrangement with a financial institution to borrow up to \$500,000 at a borrowing rate of 8.597% with the outstanding balance to be repaid on or before the expiration date of January 23, 2023.

Upon its expiration, the Foundation renewed the LOC arrangement with the financial institution to borrow up to \$750,000 at a current borrowing rate of 8.674% with any outstanding balance to be repaid on or before the expiration date of February 24, 2024. As of June 30, 2023 and 2022 the outstanding balance on the LOC was \$400,000 and \$-0-.

**6. Paycheck Protection Program Loans**

In April 2021, the Foundation received a Paycheck Protection Program (the “PPP Loan”) from the Small Business Administration (“SBA”) in the amount of \$764,005. The loan has an interest rate of 1% per annum, with no payments due until February 2022, and scheduled to mature in April 2026. If certain defined conditions are met, the PPP Loan would be forgiven.

In fiscal 2023, the defined conditions were partially met, and as a result, the SBA notified the Foundation that \$716,913 of this PPP Loan was forgiven, and the Foundation recognized this amount as PPP loan forgiveness in the 2023 statement of activities. The remaining loan balance of \$47,092 was repaid to the SBA in March 2023.

**7. Net Assets with Donor Restrictions**

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

	2023	2022
Veterans Program	\$ 1,990,232	\$ 3,327,318
Time restrictions	4,980,000	4,280,556
THEARC/Washington, D.C. Programs	75,400	24,925
Heal the Healers Now	-	89,050
Los Angeles School Program	124,700	144,755
Other programs	-	1,078
Fetzer Memorial Trust	23,500	24,000
	\$ 7,193,832	\$ 7,891,682

**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2023 and 2022

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

Net assets released from restriction during the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Heal the Healers Now	\$ 89,050	\$ 266,204
Time restrictions	2,090,556	737,222
Veterans Program	1,342,609	1,539,737
Veterans 21toNone	39,476	63,404
Los Angeles School Program	27,556	18,533
THEARC/Washington, D.C. Programs	14,925	443,915
Other programs	1,078	9,720
Training	-	93,500
Meditate NY	200,000	-
Fetzer Memorial Trust	500	500
	\$ 3,805,750	\$ 3,172,735

During 2022, the Foundation wrote-off the remaining balance of an uncollectable pledge in the amount of \$510,000 which is reflected in the June 30, 2022 statement of activities as a valuation adjustment.

**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 provides for royalty fees to be paid to the Foundation based on future sales of the manuscript. The Foundation received approximately \$2,500 and \$94,000 for the years ended June 30, 2023 and 2022.

**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2023 and 2022

**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., Iowa, North Carolina and Connecticut that expire at various dates through October 2027. These lease agreements contain lease and non-lease components, which are generally accounted for separately. Variable lease components in these leases are common area maintenance, utilities, and real estate taxes and are recognized in operating expenses in the period in which the obligation is incurred.

The components of occupancy expense on the accompanying statement of functional expenses for the year ended June 30, 2023 are shown below:

Lease expense	
Operating lease cost	\$ 952,404
Short-term lease cost	87,044
Variable lease cost	113,787
	<u>\$ 1,153,235</u>

Occupancy expense totaled approximately \$950,000 for the year ended June 30, 2022.

The right-of-use asset and corresponding liability associated with future lease payments on the above noted lease as of June 30, 2023 are shown below:

Right-of-use asset	\$ 1,244,612
Lease liability	1,263,104
Weighted Average:	
Discount rate	2.84%
Remaining lease term in years	1.53

ROU asset is net of \$952,404 accumulated amortization at June 30, 2023.

**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2023 and 2022

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

**Occupancy (continued)**

Future minimum rental payments under the lease arrangement are as follows:

	<u>Year Ended June 30:</u>	<u>Amount</u>
2024		\$ 906,151
2025		234,556
2026		107,863
2027		31,408
2028		<u>7,917</u>
Total Future Minimum Lease Payments		1,287,895
Less Imputed Interest		<u>(24,791)</u>
Total Operating Lease Liability		<u><u>\$ 1,263,104</u></u>

Supplemental cash flow information related to operating leases was as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of operating lease liabilities	\$ 886,523
ROU assets recognized upon adoption of new lease guidance	2,149,627

**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 years ending June 30 are as follows:

2024	\$ 268,564
2025	<u>91,912</u>
	<u><u>\$ 360,476</u></u>

Rental income was approximately \$261,000 and \$253,000 for the years ended June 30, 2023 and 2022.

**David Lynch Foundation For  
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Notes to Financial Statements  
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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 as of June 30:

	2023	2022
Financial assets at year end:		
Cash	\$ 3,279,030	\$ 2,906,438
Contributions receivable, net	5,306,751	5,913,629
Total Financial Assets	8,585,781	8,820,067
Less: net assets with donor restrictions	(7,193,832)	(7,891,682)
Add next year's release of donor restrictions	3,048,514	4,885,266
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 4,440,463	\$ 5,813,651

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 \$750,000 from a line of credit arrangement which it can draw upon in the event of a liquidity need. There is a \$400,000 balance outstanding on the line of credit as of June 30, 2023 and there was no balance outstanding as of June 30, 2022.

**11. Contingencies**

The Foundation is a co-defendant in a suit in Federal Court in Illinois with the Chicago Public School system by a former student who is seeking class certification. The matter is being covered as to defense costs and indemnity by the Foundation's liability carrier. Management believes it has a strong defense for such claim and is defending the action vigorously. The matter, if not settled or dismissed is likely to go to trial in 2024.

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