

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

Financial Statements

June 30, 2022 and 2021

## **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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our 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.

### ***Responsibilities of Management 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; 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*

December 22, 2022

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

Statements of Financial Position

	June 30	
	2022	2021
<b>ASSETS</b>		
Current Assets		
Cash	\$ 2,906,438	\$ 3,825,025
Contributions receivable, net	4,885,266	3,666,274
Prepaid expenses and other current assets	151,311	146,490
Total Current Assets	7,943,015	7,637,789
Non-current Assets		
Contributions receivable, net	1,028,363	1,506,487
Security deposits	204,469	200,364
Property and Equipment		
Furniture and fixtures	309,586	292,099
Equipment	272,622	274,999
	582,208	567,098
Less accumulated depreciation	477,697	456,886
	104,511	110,212
Total Non-current Assets	1,337,343	1,817,063
Total Assets	\$ 9,280,358	\$ 9,454,852
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 366,609	\$ 205,068
Accrued vacation	117,446	81,841
Total Current Liabilities	484,055	286,909
Non-current Liabilities		
Paycheck Protection Program loan	764,005	764,005
Total Liabilities	1,248,060	1,050,914
Net Assets		
Without donor restrictions	140,616	903,711
With donor restrictions		
Time restricted	4,280,556	2,117,778
Purpose restricted	3,611,126	5,382,449
	7,891,682	7,500,227
Total Net Assets	8,032,298	8,403,938
Total Liabilities and Net Assets	\$ 9,280,358	\$ 9,454,852

See notes to financial statements

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

Statements of Activities

	Year Ended					
	June 30, 2022			June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING SUPPORT AND REVENUE</b>						
Contribution and grant revenue	\$ 4,085,055	\$ 4,064,190	\$ 8,149,245	\$ 2,094,651	\$ 3,506,966	\$ 5,601,617
Paycheck Protection Program loan forgiveness	-	-	-	829,808	-	829,808
Special events (net of \$480,420 direct benefit to donors for 2021)	-	-	-	180,945	-	180,945
Program revenue	347,469	-	347,469	192,951	-	192,951
Sublease income	253,244	-	253,244	245,774	-	245,774
License and royalty fees	94,661	-	94,661	9,342	-	9,342
Interest income	825	-	825	7,632	-	7,632
Net assets released from restrictions	<u>3,172,735</u>	<u>(3,172,735)</u>	<u>-</u>	<u>2,982,403</u>	<u>(2,982,403)</u>	<u>-</u>
Total Operating Support and Revenue	<u>7,953,989</u>	<u>891,455</u>	<u>8,845,444</u>	<u>6,543,506</u>	<u>524,563</u>	<u>7,068,069</u>
<b>OPERATING EXPENSES</b>						
Program	6,285,361	-	6,285,361	4,422,214	-	4,422,214
Management and general	1,610,108	-	1,610,108	1,491,702	-	1,491,702
Fundraising	<u>1,321,615</u>	<u>-</u>	<u>1,321,615</u>	<u>1,200,246</u>	<u>-</u>	<u>1,200,246</u>
Total Operating Expenses	<u>9,217,084</u>	<u>-</u>	<u>9,217,084</u>	<u>7,114,162</u>	<u>-</u>	<u>7,114,162</u>
Change in Net Assets before Non-Operating Activity	(1,263,095)	891,455	(371,640)	(570,656)	524,563	(46,093)
<b>NON-OPERATING ACTIVITY</b>						
Valuation adjustment	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(763,095)	391,455	(371,640)	(570,656)	524,563	(46,093)
<b>NET ASSETS (DEFICIT)</b>						
Beginning of year	<u>903,711</u>	<u>7,500,227</u>	<u>8,403,938</u>	<u>1,474,367</u>	<u>6,975,664</u>	<u>8,450,031</u>
End 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>

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									Management and General	Fundraising	2022 Total	2021 Total
	HFHC	Veterans	Women	CHW	Government	Heal the Healers	International	Other Programs	Total Program				
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	\$ 3,505,041
Grants	152,367	96,917	11,620	39,816	103,975	246,977	68,932	218,755	939,359	6,440	-	945,799	672,310
Program expenses	1,386	1,246	452	6,075	7,833	2,890	-	8,475	28,357	2,358	-	30,715	22,133
Program research	64	189,873	-	-	1,225	42,734	3,210	3,885	240,991	-	-	240,991	82,127
Retreat expenses	400	-	-	-	-	-	-	12,798	13,198	-	-	13,198	469
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	116,270
Printing and advertising	264	634	5	107	1,737	1,292	-	57,643	61,682	599	5,894	68,175	6,869
Special events and annual gala	-	-	-	-	1,000	-	-	1,507	2,507	-	77,647	80,154	403,898
Cultivation expense	210	734	36	1,465	1,748	488	-	847	5,528	1,867	3,425	10,820	19,522
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	657,878
Occupancy	39,964	77,174	5,567	16,565	109,024	93,782	7,435	112,461	461,972	463,654	96,786	1,022,412	960,449
Telephone and internet	558	3,864	80	295	4,649	1,203	103	7,337	18,089	3,473	1,368	22,930	55,932
Postage and shipping	163	318	13	95	528	206	16	517	1,856	725	740	3,321	4,270
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	35,137
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	134,953
Audit	1,026	1,601	124	238	2,261	2,435	136	3,148	10,969	6,627	2,904	20,500	20,000
Membership and subscriptions	26	92	5	18	203	1,360	2	4,232	5,938	603	1,736	8,277	13,624
Professional development	943	20	241	454	114,424	1,013	3	338	117,436	2,367	11	119,814	2,676
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	65,253
Insurance	4,675	6,934	521	1,606	12,905	7,603	236	10,379	44,859	25,798	10,540	81,197	73,022
Legal	9,299	1,161	122	456	1,903	1,971	63	4,137	19,112	38,134	1,878	59,124	59,373
Bank and credit card fees	151	2,594	22	2,068	260	304	716	5,156	11,271	606	9,007	20,884	28,105
Third party fees	624	938	70	216	1,718	1,017	35	105,529	110,147	3,444	1,661	115,252	79,162
Donated services - occupancy	-	-	-	43,750	-	-	-	-	43,750	-	-	43,750	1,910
Bad debt	-	-	-	-	-	-	-	-	-	510,000	-	510,000	515,000
Depreciation	1,520	2,658	285	1,075	4,038	3,674	137	7,539	20,926	10,923	4,400	36,249	59,199
	<u>550,106</u>	<u>1,061,226</u>	<u>80,342</u>	<u>298,292</u>	<u>1,284,605</u>	<u>1,153,058</u>	<u>84,075</u>	<u>1,773,657</u>	<u>6,285,361</u>	<u>1,610,108</u>	<u>1,321,615</u>	<u>9,217,084</u>	<u>7,594,582</u>
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	(480,420)
	<u>\$ 550,106</u>	<u>\$ 1,061,226</u>	<u>\$ 80,342</u>	<u>\$ 298,292</u>	<u>\$ 1,284,605</u>	<u>\$ 1,153,058</u>	<u>\$ 84,075</u>	<u>\$ 1,773,657</u>	<u>\$ 6,285,361</u>	<u>\$ 1,610,108</u>	<u>\$ 1,321,615</u>	<u>\$ 9,217,084</u>	<u>\$ 7,114,162</u>

See notes to financial statements

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

**Statement of Functional Expenses  
Year Ended June 30, 2021**

	Program						Other Programs	Total Program	Management and General	Fundraising	Total
	HFHC	Veterans	Women	CHW	Government	International					
Personnel	\$ 107,469	\$ 452,993	\$ 61,947	\$ 645,925	\$ 337,402	\$ -	\$ 881,206	\$ 2,486,942	\$ 400,520	\$ 617,579	\$ 3,505,041
Grants	110,670	42,805	23,488	266,733	7,015	59,884	161,715	672,310	-	-	672,310
Program expenses	2,492	179	1,192	6,810	1,101	-	10,359	22,133	-	-	22,133
Program research	338	50,909	594	27,459	655	200	1,972	82,127	-	-	82,127
Retreat expenses	-	-	-	-	-	-	469	469	-	-	469
Production and media	148	6,049	227	11,621	2,416	-	22,022	42,483	14,780	59,007	116,270
Printing and advertising	6	424	38	1,340	215	-	1,599	3,622	457	2,790	6,869
Special events and annual gala	-	-	-	-	-	-	-	-	-	403,898	403,898
Cultivation expense	71	393	190	5,365	-	-	1,547	7,566	9,255	2,701	19,522
Consultants/website design	20,475	10,313	801	82,844	45,516	490	200,858	361,297	43,392	253,189	657,878
Occupancy	22,907	53,552	7,778	94,942	71,328	7,242	164,314	422,063	363,433	174,953	960,449
Telephone and internet	1,073	5,008	313	4,652	3,635	215	14,738	29,634	19,122	7,176	55,932
Postage and shipping	-	185	-	44	100	-	856	1,185	2,348	737	4,270
Office supplies and equipment rental	786	1,790	276	10,347	1,833	198	5,937	21,167	9,067	4,903	35,137
IT (software, hardware and web)	3,172	6,153	294	9,880	3,498	177	18,539	41,713	19,902	73,338	134,953
Audit	510	1,408	147	2,174	739	57	3,849	8,884	7,496	3,620	20,000
Membership and subscriptions	155	549	32	1,274	659	26	5,387	8,082	3,389	2,153	13,624
Professional development	442	500	-	34	5	-	547	1,528	1,076	72	2,676
Travel and meetings	1,864	7,348	1,373	19,845	8,811	9	6,551	45,801	15,953	3,499	65,253
Insurance	2,087	3,377	848	9,235	2,379	29	9,242	27,197	20,118	25,707	73,022
Legal	14,325	74	6	91	707	-	3,644	18,847	24,771	15,755	59,373
Bank and credit card fees	237	1,113	69	2,030	218	751	3,376	7,794	746	19,565	28,105
Third party fees	21	46	8	99	53	-	78,702	78,929	233	-	79,162
Donated services	-	-	-	-	-	-	-	-	1,910	-	1,910
Bad debt	-	-	-	-	-	-	-	-	515,000	-	515,000
Depreciation	1,710	3,667	638	7,957	4,299	-	12,170	30,441	18,734	10,024	59,199
	<u>290,958</u>	<u>648,835</u>	<u>100,259</u>	<u>1,210,701</u>	<u>492,584</u>	<u>69,278</u>	<u>1,609,599</u>	<u>4,422,214</u>	<u>1,491,702</u>	<u>1,680,666</u>	<u>7,594,582</u>
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	(480,420)	(480,420)
	<u>\$ 290,958</u>	<u>\$ 648,835</u>	<u>\$ 100,259</u>	<u>\$ 1,210,701</u>	<u>\$ 492,584</u>	<u>\$ 69,278</u>	<u>\$ 1,609,599</u>	<u>\$ 4,422,214</u>	<u>\$ 1,491,702</u>	<u>\$ 1,200,246</u>	<u>\$ 7,114,162</u>

See notes to financial statements

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

Statements of Cash Flows

	Year Ended June 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (371,640)	\$ (46,093)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Paycheck Protection Program loan forgiveness	-	(829,808)
Bad debt expense	510,000	515,000
Depreciation	36,249	59,199
Loss on disposal of equipment	3,671	6,487
Change in operating assets and liabilities		
Contributions and employee receivables	(1,250,868)	201,318
Prepaid expenses and other current assets	(4,821)	(91,992)
Security deposits	(4,105)	120
Accounts payable	161,541	(61,582)
Accrued vacation	35,605	17,214
Net Cash from Operating Activities	(884,368)	(230,137)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity of certificates of deposit	-	1,002,959
Purchase of property and equipment	(34,219)	-
Net Cash from Investing Activities	(34,219)	1,002,959
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	-	764,005
Net Change in Cash	(918,587)	1,536,827
<b>CASH</b>		
Beginning of year	3,825,025	2,288,198
End of year	\$ 2,906,438	\$ 3,825,025

See notes to financial statements



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

Notes to Financial Statements  
June 30, 2022 and 2021

**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.

***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 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 the Foundation’s offices in midtown Manhattan. Through this citywide initiative, the Foundation is working towards addressing health inequities in New York City, as well as increasing the wellness and wellbeing of New York City government workers and community members. In partnering with New York City government agencies, the Foundation continues the focused effort of demonstrating the effectiveness of TM and the importance of getting instructions covered by health insurance.

***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 Veterans Administration hospitals nationwide; the National Defense University in Washington, DC; Boulder Crest Retreat Centers, the EOD Warrior Foundation; residential substance abuse treatment centers in New York City; City University of New York Office of Veterans; numerous military bases, including Fort Bragg, Fort Gordon, Fort Belvoir, and Fort Hamilton. In 2022, the Foundation 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 of the study 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.

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

Notes to Financial Statements  
June 30, 2022 and 2021

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

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

The 6-site study will take place at research universities around the United States with approximately 360 subjects. The research study sites include Columbia University, Northwell Health, Stanford University, University of California at San Diego, Mount Sinai and the University of Southern California. The goal of the study is to secure long-term government funding for TM.

***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, and the Herndon Virginia Police Department.

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

The Women's Health Initiative provides TM training for survivors of domestic and gender-based 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 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 beautiful new 425 Park Avenue building, where tenants in the building such as Citadel and Hellman and Friedman will easily be able to learn TM. CHW also furthers awareness of the impact of DLF's work and the effectiveness of TM.

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

Notes to Financial Statements  
June 30, 2022 and 2021

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

***Awareness (DLF Live)***

The Awareness program produces events to increase awareness of the Foundation and educate the public about the impact and benefits of TM. The world's premiere artists, designers, and musicians participate in the Foundation's galas, special events, and auctions. Auctions offer one-of-a-kind new works and extraordinary experiences. Funds benefit the Foundation'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. The Foundation supports TM training to groups in Asia, Africa, Europe and Latin America.

***Mediate 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.

***Other Programs***

***Washington, D.C. (Government)***

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, DLF 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 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, Far Southeast Family Strengthening Collaborative, United Planning Organization, Bellevue 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.

***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. The Foundation's 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  
Consciousness-Based Education and World Peace**

Notes to Financial Statements  
June 30, 2022 and 2021

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

***Other Programs (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 has quickly mobilized to respond to the needs of its healthcare workers. The response from healthcare workers, hospitals, research centers, and donors has been extraordinary. As of October 2022, TM instruction has taken place in 67 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.

*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 the Los Angeles Unified School District expanded DLF's partnership to include providing TM instruction for educators and families at individual school sites and their community wellness centers. DLF's public charter school program partnerships continue under the HF/HC umbrella. 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.

***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.

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

Notes to Financial Statements  
June 30, 2022 and 2021

**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.

***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”.

***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 \$510,000 and \$515,000 of bad debt during 2022 and 2021, 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  
Consciousness-Based Education and World Peace**

Notes to Financial Statements  
June 30, 2022 and 2021

**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 when such long-lived assets are placed in service.

***In-kind Contributions***

In-kind contributions are recorded as income and expenses at the time the items are received, which is also the time they are placed into service. Donated services are reported as income and expense at fair value if such services create value or would have been purchased if not provided by donation, require special skills, and are provided by individuals possessing such specialized skills.

The Foundation received donated contributed space, located in New York City, of approximately \$44,000 for the year ended June 30, 2022 and is included in contribution and grant revenue in the June 30, 2022 statement of activities. The fair value for these services is based on the estimated fair value of recent comparable rent prices in the surrounding area of New York City.

***Program Revenue***

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

Program and sublease receivables as of July 1, 2020 totaled approximately \$14,600.

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

Notes to Financial Statements  
June 30, 2022 and 2021

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

***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, 2019.

***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 2021 financial statements were reclassified to conform to the 2022 financial statements.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through December 22, 2022, the date which the financial statements were available to be issued. Except for the Foundation borrowing \$500,000 from a line of credit arrangement in September 2022 (see Note 10), 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.

**3. Concentration of Credit Risk**

The credit risk for contributions receivable at June 30, 2022 and 2021 was concentrated, with 89% and 73% owed from nine and six donors, respectively. Additionally, the Foundation received approximately 58% and 28% of its contribution and grant revenue from six and two donors during the years ended June 30, 2022 and 2021, respectively.

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

Notes to Financial Statements  
June 30, 2022 and 2021

**3. Concentration of Credit Risk (continued)**

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.

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

**4. Contributions Receivable**

The Foundation received unconditional contributions which have been recorded net of a present value discount of 5.75% and 4.25% at June 30, 2022 and 2021 as follows:

	2022	2021
Due in two or more years	\$ 1,190,000	\$ 1,830,000
Less:		
Allowance for doubtful accounts	(45,000)	(215,000)
Discount to present value	(116,637)	(108,513)
	1,028,363	1,506,487
Due in one year or less	4,885,266	3,666,274
Total Contributions Receivable	\$ 5,913,629	\$ 5,172,761

**5. Line of Credit**

The Foundation has a line of credit 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. As of June 30, 2022 and 2021, there was no outstanding balance on the line of credit.

**6. Paycheck Protection Program Loans**

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 has an interest rate of 1% per annum and was scheduled to mature in May 2022.

In fiscal 2021, the defined conditions were met, and as a result, the SBA notified the Foundation that this PPP Loan was forgiven, and the Foundation recognized the full amount of the proceeds from this PPP Loan as PPP loan forgiveness in the 2021 statement of activities.



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

Notes to Financial Statements  
June 30, 2022 and 2021

**6. Paycheck Protection Program Loans (continued)**

In April 2021, the Foundation received a second PPP Loan from the SBA in the amount of \$764,005. This loan also has an interest rate of 1% per annum, with no payments due until February 2022, and is scheduled to mature in April 2026. If certain defined conditions are met, this loan may also be forgiven by the SBA, otherwise the Foundation will be required to repay this loan in full. As of the report date, the SBA had communicated to the Foundation that the request for loan forgiveness is currently going through a quality control review process requiring additional levels of review, with no repayments due at this time.

**7. Net Assets with Donor Restrictions**

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

	2022	2021
Veterans Program	\$ 3,327,318	\$ 4,600,419
Time restrictions	4,280,556	2,117,778
THEARC/Washington, D.C. Programs	24,925	403,440
Heal the Healers Now	89,050	245,254
Los Angeles School Program	144,755	103,288
Other programs	1,078	5,548
Fetzer Memorial Trust	24,000	24,500
	\$ 7,891,682	\$ 7,500,227

Net assets released from restriction during the years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Heal the Healers Now	\$ 266,204	\$ 1,002,298
Time restrictions	737,222	827,222
Veterans Program	1,539,737	415,198
Veterans 21toNone	63,404	-
Los Angeles School Program	18,533	366,493
THEARC/Washington, D.C. Programs	443,915	345,000
Other programs	9,720	16,560
Training	93,500	-
International program	-	9,132
Fetzer Memorial Trust	500	500
	\$ 3,172,735	\$ 2,982,403

During 2022, The Foundation wrote-off the remaining balance of an uncollectable pledge in the amount of \$500,000 which is reflected in the June 30, 2022 statement of activities as a valuation adjustment.

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

Notes to Financial Statements  
June 30, 2022 and 2021

**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 \$94,000 and \$9,000 for the years ended June 30, 2022 and 2021, 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., Iowa, North Carolina and Connecticut 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:

2023	\$ 985,976
2024	915,506
2025	302,727
2026	30,841
2027	<u>31,458</u>
	<u>\$ 2,266,508</u>

Rent expense totaled approximately \$950,000 and \$902,000 for the years ended June 30, 2022 and 2021, respectively, which is included within occupancy expenses on the accompanying statements of functional expenses.

***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.

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

Notes to Financial Statements  
June 30, 2022 and 2021

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

**Rental Income (continued)**

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

2023	\$	260,742
2024		268,564
2025		<u>91,912</u>
	\$	<u><u>621,218</u></u>

Rental income was approximately \$253,000 and \$246,000 for the years ended June 30, 2022 and 2021, respectively.

**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:

	2022	2021
Financial assets at year end:		
Cash	\$ 2,906,438	\$ 3,825,025
Contributions receivable, net	<u>5,913,629</u>	<u>5,172,761</u>
Total Financial Assets	8,820,067	8,997,786
Less: net assets with donor restrictions	(7,891,682)	(7,500,227)
Add next year's release of donor restrictions	<u>4,885,266</u>	<u>2,160,273</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 5,813,651</u></u>	<u><u>\$ 3,657,832</u></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 \$500,000 from a line of credit arrangement which it can draw upon in the event of a liquidity need. There is no balance outstanding on the line of credit as of June 30, 2022. Subsequent to June 30, 2022, the Foundation had a net borrowing of \$450,000 from the line of credit which remains outstanding as of the date the financial statements were available to be issued.

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

Notes to Financial Statements  
June 30, 2022 and 2021

**11. Contingencies**

The Foundation is a co-defendant involved in a legal proceeding incurred in the normal course of operations. Management believes it has a defense for such claim and is defending the action vigorously with general counsel and the insurance carrier's legal counsel. The Foundation's General Counsel's opinion is that the case has no merit and has submitted a motion to dismiss the case before the court.

\* \* \* \* \*