

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

Financial Statements

June 30, 2015

## **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 statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

#### ***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, 2015, 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.

O'CONNOR DAVIES, LLP

665 Fifth Avenue, New York, NY 10022 | Tel: 212.286.2600 | Fax: 212.286.4080 | [www.odpkf.com](http://www.odpkf.com)

***Prior Period Financial Statements***

The financial statements of the David Lynch Foundation For Consciousness-Based Education and World Peace as of June 30, 2014, were audited by other auditors whose report dated November 21, 2014, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

*O'Connor Davies, LLP*

November 5, 2015

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

Statement of Financial Position  
June 30, 2015  
(with comparative amounts at June 30, 2014)

	June 30	
	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,262,596	\$ 626,021
Contributions receivable	3,664,134	3,122,269
Other receivables	9,996	11,232
Prepaid expenses	220,964	43,075
Inventory	3,650	11,289
Total Current Assets	5,161,340	3,813,886
Non-current Assets		
Contributions receivable	250,000	-
Security deposits	111,136	138,526
Property and equipment		
Furniture and fixtures	197,369	167,101
Equipment	142,914	129,426
	340,283	296,527
Less accumulated depreciation	148,224	105,289
	192,059	191,238
Total Non-current Assets	553,195	329,764
 Total Assets	 \$ 5,714,535	 \$ 4,143,650
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 368,372	\$ 23,789
Payroll liabilities	64,501	57,325
Grants payable	-	250,000
Accrued vacation	36,884	53,709
Total Current Liabilities	469,757	384,823
Net Assets		
Unrestricted	4,095,017	2,299,959
Temporarily restricted	1,149,761	1,458,868
Total Net Assets	5,244,778	3,758,827
	 \$ 5,714,535	 \$ 4,143,650

See notes to financial statements

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

Statement of Activities  
Year Ended June 30, 2015  
(with summarized totals for the year ended June 30, 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 5,656,060	\$ 1,117,902	\$ 6,773,962	\$ 7,017,559
Special events (net of \$109,135 and \$1,201,106 direct benefit to donors for 2015 and 2014)	931,330	-	931,330	371,136
Grant revenue	652,420	250,000	902,420	880,234
Program revenue	110,541	-	110,541	126,326
Other revenue	390,672	-	390,672	195,318
Net assets released from restrictions	<u>1,677,009</u>	<u>(1,677,009)</u>	-	-
Total Support and Revenue	<u>9,418,032</u>	<u>(309,107)</u>	<u>9,108,925</u>	<u>8,590,573</u>
<b>EXPENSES</b>				
Program	5,904,514	-	5,904,514	6,076,794
Management and general	696,695	-	696,695	466,101
Fundraising	<u>1,021,765</u>	-	<u>1,021,765</u>	<u>1,149,754</u>
	<u>7,622,974</u>	<u>-</u>	<u>7,622,974</u>	<u>7,692,649</u>
Change in net assets	1,795,058	(309,107)	1,485,951	897,924
<b>NET ASSETS</b>				
Beginning of year	<u>2,299,959</u>	<u>1,458,868</u>	<u>3,758,827</u>	<u>2,860,903</u>
End of year	<u>\$ 4,095,017</u>	<u>\$ 1,149,761</u>	<u>\$ 5,244,778</u>	<u>\$ 3,758,827</u>

See notes to financial statements

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

**Statement of Functional Expenses  
Year Ended June 30, 2015  
(with summarized totals for the year ended June 30, 2014)**

	Education	OWW	Women	CLP	DLFtv	DLF Live	International	Other Programs	Total Program	Management and General	Fundraising	2015 Total	2014 Total
Personnel	\$ 428,338	\$ 156,995	\$ 225,657	\$ 282,939	\$ 352,689	\$ 307,351	\$ 52,596	\$ 287,711	\$ 2,094,276	\$ 568,522	\$ 512,978	\$ 3,175,776	\$ 2,461,980
Grants	988,354	205,737	40,269	67,265	-	-	153,560	607,849	2,063,034	-	-	2,063,034	3,386,924
Program expenses	48,071	25,395	706	1,531	-	25,544	462	32,622	134,331	169	586	135,086	174,417
Program research	-	-	-	-	-	-	-	50,610	50,610	-	-	50,610	30,000
Retreat expenses	5,889	-	-	-	-	-	-	34,005	39,894	-	-	39,894	28,849
Production and media	-	-	-	1,400	12,176	110,750	-	3,132	127,458	-	52,837	180,295	362,694
Printing and advertising	1,483	3,472	2,768	11,183	54	1,516	-	799	21,275	302	50,418	71,995	63,120
Special events and annual gala	4,964	-	74	2,500	44	225,187	-	8,062	240,831	3	123,123	363,957	914,096
Cultivation expense	(66)	2,114	134	1,276	56	1,353	-	1,673	6,540	92	64,844	71,476	48,416
Consultants/website design	4,600	25,625	1,500	12,043	4,272	45,067	-	6,204	99,311	351	147,661	247,323	230,436
Occupancy	48,310	24,732	32,594	126,172	30,308	37,402	7,193	70,809	377,520	62,116	68,513	508,149	348,316
Telephone and Internet	5,359	2,808	3,523	6,571	4,682	5,724	761	5,706	35,134	2,941	4,705	42,780	40,615
Postage and shipping	473	361	143	558	701	1,764	102	1,349	5,451	293	4,722	10,466	25,239
Office supplies and equipment rental	4,760	1,962	2,598	4,734	9,162	6,267	560	4,133	34,176	2,519	6,366	43,061	75,560
IT (software, hardware and web)	1,547	694	825	1,158	14,835	4,325	130	12,934	36,448	15,583	19,796	71,827	66,529
Audit	-	-	-	-	-	-	-	-	-	15,525	-	15,525	18,537
Accounting	-	-	-	-	-	-	-	-	-	-	-	-	38,976
Membership and subscriptions	666	480	443	108	474	1,236	-	530	3,937	1,437	5,631	11,005	37,016
Professional development	513	325	303	-	288	-	-	617	2,046	299	12,976	15,321	6,781
Travel and meetings	39,348	25,937	12,735	7,080	35,391	119,159	3,763	60,197	303,610	8,856	39,169	351,635	281,065
Insurance	-	-	-	-	4,213	-	-	-	4,213	-	-	4,213	44,188
Legal	-	-	-	-	-	6,640	-	385	7,025	9,687	-	16,712	4,018
Bank and credit card fees	1,009	369	4	17,160	4	149,231	933	2,005	170,715	3,277	8,949	182,941	75,438
Donated services	-	-	-	-	-	14,907	-	-	14,907	-	1,186	16,093	102,256
Depreciation	6,011	3,005	3,435	3,864	5,152	5,152	859	4,294	31,772	4,723	6,440	42,935	28,289
	<u>1,589,629</u>	<u>480,011</u>	<u>327,711</u>	<u>547,542</u>	<u>474,501</u>	<u>1,068,575</u>	<u>220,919</u>	<u>1,195,626</u>	<u>5,904,514</u>	<u>696,695</u>	<u>1,130,900</u>	<u>7,732,109</u>	<u>8,893,755</u>
Special events direct benefit to donors	-	-	-	-	-	-	-	-	-	-	(109,135)	(109,135)	(1,201,106)
	<u>\$ 1,589,629</u>	<u>\$ 480,011</u>	<u>\$ 327,711</u>	<u>\$ 547,542</u>	<u>\$ 474,501</u>	<u>\$ 1,068,575</u>	<u>\$ 220,919</u>	<u>\$ 1,195,626</u>	<u>\$ 5,904,514</u>	<u>\$ 696,695</u>	<u>\$ 1,021,765</u>	<u>\$ 7,622,974</u>	<u>\$ 7,692,649</u>

See notes to financial statements

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

Statement of Cash Flows  
Year Ended June 30, 2015  
(with comparative amounts for the year ended June 30, 2014)

	Years Ended December 31	
	2015	2014
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,485,951	\$ 897,924
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	42,935	28,289
Change in operating assets and liabilities		
Contribution receivable and other receivables	(790,629)	(3,074,125)
Prepaid expenses	(177,889)	(20,085)
Inventory	7,639	(11,289)
Security deposits	27,390	(36,500)
Accounts payable	344,583	(218,044)
Agency liability	-	(111,343)
Grants payable	(250,000)	(181,002)
Accrued vacation and payroll liabilities	(9,649)	45,080
Net Cash from Operating Activities	680,331	(2,681,095)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(43,756)	(156,034)
Net Change in Cash and Cash Equivalents	636,575	(2,837,129)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	626,021	3,463,150
End of year	\$ 1,262,596	\$ 626,021

See notes to financial statements

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

Notes to Financial Statements  
June 30, 2015

**1. Organization and Tax Status**

Established in 2005, the David Lynch Foundation For Consciousness-Based Education and World Peace (the “Foundation”) helps to prevent and eradicate the all-pervasive epidemic of trauma and toxic stress among at-risk populations through promoting widespread implementation of the evidence-based Transcendental Meditation (TM) program in order to improve their health, cognitive capabilities and performance in life.

The Foundation also funds university and medical school research to assess the effects of the program on academic performance, ADHD and other learning disorders, anxiety, depression, blood pressure, substance abuse, cardiovascular disease, post-traumatic stress disorder, autism and diabetes.

The effectiveness of Transcendental Meditation programs has been researched at leading medical schools including Harvard Medical School, Stanford Medical School, and Yale Medical School. These programs have received the endorsement of and support from private foundations and government agencies, including the National Institutes of Health, General Motors Foundation, the Chrysler Foundation, the Kellogg Foundation, many school districts, and state departments of corrections.

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Foundation is not classified as a private foundation.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Use of Estimates***

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



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

Notes to Financial Statements  
June 30, 2015

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

***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:

- *Unrestricted* - net assets not subject to donor-imposed restrictions,
- *Temporarily restricted* - net assets subject to donor-imposed restrictions to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.
- *Permanently restricted* - net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2015 and 2014

***Cash and Cash Equivalents***

The Foundation considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

***Contributions Receivable***

Contributions receivable are all deemed by management to be collectable and are expected to be received within five years. Contributions to be received within one year are classified as current assets and those from two to five years are classified as noncurrent assets. Accordingly, there is no allowance for doubtful accounts.

***Inventory***

Inventory is valued at the lower of cost or market using the first-in, first-out method.

***Property and Equipment***

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments in excess of \$1,000 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.

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

Notes to Financial Statements  
June 30, 2015

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

***Contributions***

Contributions, 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 with donor-imposed restrictions that are met within the same reporting period are reported as unrestricted support.

Contributions with donor-imposed restrictions that are met in the same year the gift is received are reported as unrestricted revenue. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

***Grants***

Grants to other organizations are recognized as an expense in the period where the promise to give is made. If the grant has not been paid to the recipient organization prior to year end, the Foundation reports the 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 audits by the applicable taxing jurisdictions for period prior to June 30, 2012.

***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.

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

Notes to Financial Statements  
June 30, 2015

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

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through November 5, 2015, 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.

***Summarized Comparative Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**3. Concentration of Credit Risk**

The credit risk for contributions receivable at June 30, 2015 was concentrated, with seventy-nine percent owed from one donor. The Foundation believes the risk is minimal due to the payment history of the donor. This contribution receivable was subsequently received during fiscal year 2016.

The Foundation expects to continue receiving funding from this source in the future due to the donor's giving histories and strong relationship 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.

The Foundation received approximately thirty-three percent and fifty-two percent of its total support and revenue from one donor during the years ended June 30, 2015 and 2014.

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

Notes to Financial Statements  
June 30, 2015

**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets are/were available for the following purposes at June 30, 2015 and 2014:

	2015	2014
African (Congo) PTSD Project	\$ -	\$ 2,696
Autism School	-	98,920
California Endowment Trauma Program	-	118,111
Care Givers Project	-	2,000
Chicago Programs	-	8,828
Christ Our Savior School - IL	-	17,663
Christian Fenger HS	-	7,500
City Year	-	15,744
CWAE	8,300	-
Development - Dalio Family Foundation	350,706	748,377
Family Justice Center (Women's)	1,080	49,633
Fredrick Douglass Academy	-	1,000
HOPE Program	-	5,690
International Programs (Konhaus)	12,571	-
Ireland	-	150
John and Amy Griffin TM Teacher Fellowship	150,000	-
Kuehner Brothers Foundation	150,000	-
Los Angeles Programs	64,319	132,937
Loyola University of Chicago - Stritch School of Medicine	-	26,915
Mozambique	-	400
Native American - Program Restriction	-	1,217
NY Schools	-	3,000
Other Program - Team Rubicon	9,000	-
OWW - Program Restriction	11,840	-
Palestine Peace Project - Hope School	-	7,610
The Peter G. Dodge Foundation Study	225,000	-
Philippines	-	7,000
Pottawattomi County Veterans Office	6,245	3,458
San Francisco Aids Foundation	-	14,790
Sanctuary for Families	-	15,715
Santa Monica Police	10,700	10,700
Smarak India Film Project	-	6,295
Solomon Islands	-	1,700
St. Luke's	-	8,607
Tanzania	-	22
Thailand grant	-	14,297
TTC - Outreach	-	126,432
Walter Reed - OWW	25,000	-
Washington DC Navy Yard	-	1,461
Wounded Warrior Project, Save a Warrior	125,000	-
	\$ 1,149,761	\$ 1,458,868

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

Notes to Financial Statements  
June 30, 2015

**4. Temporarily Restricted Net Assets (continued)**

Net assets released from restrictions during the years ended June 30, 2015 and 2014 are as follows:

	2015	2014
African (Congo) PTSD Project	\$ 2,696	\$ -
Autism Study	98,920	-
California Endowment Trauma Program	118,111	-
Care Givers Project	2,000	-
Chicago Programs	8,828	-
Christ Our Savior School - IL	17,663	-
Christian Fenger HS	7,500	-
City Year	15,744	-
Development - Dalio Family Foundation	397,671	-
DLFtv	-	459,276
Family Justice Center (Women's)	49,633	4,585
Fredrick Douglass Academy	1,000	-
HOPE Program	5,690	-
International Programs (Konhaus)	179	3,722
John and Amy Griffin TM Teacher Fellowship	100,000	-
Kuehner Brothers Foundation	100,000	-
Los Angeles Programs	436,960	-
Loyola University of Chicago - Stritch School of Medicine	26,915	-
Mozambique	400	-
Native American - Program Restriction	1,217	-
NY Schools	3,000	-
Palestine Peace Project - Hope School	7,610	-
Philippines	7,000	-
Pottawattomi County Veterans Office	2,701	-
San Francisco Aids Foundation	14,790	570
Sanctuary for Families	15,715	-
Smarak India Film Project	6,295	-
Solomon Islands	1,700	-
St. Luke's	8,607	-
Tanzania	22	-
Thailand grant	14,297	-
TTC - Outreach	126,432	-
Washington DC Navy Yard	1,461	-
Wounded Warrior Project, Save a Warrior	2,154	-
Walter Reed - OWW	5,000	-
OWW - Program Restriction	69,098	-
	\$ 1,677,009	\$ 468,153

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

Notes to Financial Statements  
June 30, 2015

**5. Operating Lease Commitments**

The Foundation has noncancelable operating leases for office space in New York, Los Angeles and Iowa that expire at various dates through January 31, 2018. Those leases generally contain renewal options and some require the Foundation to pay all executor costs such as taxes, maintenance, and insurance. The future minimum lease payments under these operating leases that have remaining terms in excess of one year as of June 30, 2015 are:

2016	\$ 433,779
2017	133,240
2018	<u>2,862</u>
	<u>\$ 569,881</u>

The Foundation has an operating lease for a copier which expires January 31, 2018. The future minimum lease payments for the years ending June 30 under this operating lease are:

2016	\$ 5,364
2017	5,364
2018	<u>2,862</u>
	<u>\$ 13,590</u>

Rent expense totaling \$442,331 and \$307,041 for the years ended June 30, 2015 and 2014 is included in occupancy expenses on the accompanying statement of functional expenses.

**6. 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, 2015 and 2014 were \$16,093 and \$102,256 for pro-bono legal services.

**7. Conditional Promises to Give**

During 2014, the Foundation received a conditional promise to forgive liabilities totaling \$250,000. During 2015 the conditions were met, therefore the \$250,000 was recognized as other revenue on the accompanying statement of activities.

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