

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

Financial Statements

June 30, 2018 and 2017

Independent Auditors' Report

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

We have audited the accompanying financial statements of David Lynch Foundation For Consciousness-Based Education and World Peace (the "Foundation") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

November 14, 2018

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

Statements of Financial Position

	June 30	
	2018	2017
ASSETS		
Current Assets		
Cash	\$ 3,880,760	\$ 1,415,801
Certificates of deposit	734,846	-
Contributions receivable	2,187,643	5,498,533
Other receivables	11,288	21,074
Prepaid expenses	310,836	237,670
Inventory	-	3,340
Total Current Assets	7,125,373	7,176,418
Non-current Assets		
Contributions receivable, net of discount	2,147,906	1,533,893
Security deposits	258,491	279,621
Property and Equipment		
Furniture and fixtures	359,451	298,199
Equipment	298,755	220,292
	658,206	518,491
Less accumulated depreciation	317,959	228,355
	340,247	290,136
Total Non-current Assets	2,746,644	2,103,650
	\$ 9,872,017	\$ 9,280,068
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 917,893	\$ 371,707
Accrued vacation	103,315	76,238
Total Current Liabilities	1,021,208	447,945
Net Assets		
Unrestricted	5,586,269	6,369,372
Temporarily restricted	3,264,540	2,462,751
Total Net Assets	8,850,809	8,832,123
	\$ 9,872,017	\$ 9,280,068

See notes to financial statements

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

Statements of Activities

	Year Ended					
	June 30, 2018			June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions	\$ 7,795,622	\$ 2,655,778	\$ 10,451,400	\$ 7,713,212	\$ 2,248,651	\$ 9,961,863
Special events (net of \$382,353 and \$731,048 direct benefit to donors for 2018 and 2017)	1,090,932	-	1,090,932	1,107,356	240,000	1,347,356
Grant revenue	1,719,425	55,760	1,775,185	2,379,669	303,600	2,683,269
Program revenue	332,730	-	332,730	252,890	-	252,890
License and royalty fees	325,245	-	325,245	206,755	-	206,755
Annual mailing campaign	44,122	-	44,122	100,845	-	100,845
Other revenue	102,378	-	102,378	102,985	-	102,985
Net assets released from restrictions	1,909,749	(1,909,749)	-	778,944	(778,944)	-
Total Support and Revenue	<u>13,320,203</u>	<u>801,789</u>	<u>14,121,992</u>	<u>12,642,656</u>	<u>2,013,307</u>	<u>14,655,963</u>
EXPENSES						
Program	11,417,540	-	11,417,540	10,357,479	-	10,357,479
Management and general	897,748	-	897,748	512,004	-	512,004
Fundraising	1,788,018	-	1,788,018	1,496,296	-	1,496,296
Total Expenses	<u>14,103,306</u>	<u>-</u>	<u>14,103,306</u>	<u>12,365,779</u>	<u>-</u>	<u>12,365,779</u>
Change in Net Assets	(783,103)	801,789	18,686	276,877	2,013,307	2,290,184
NET ASSETS						
Beginning of year	<u>6,369,372</u>	<u>2,462,751</u>	<u>8,832,123</u>	<u>6,092,495</u>	<u>449,444</u>	<u>6,541,939</u>
End of year	<u>\$ 5,586,269</u>	<u>\$ 3,264,540</u>	<u>\$ 8,850,809</u>	<u>\$ 6,369,372</u>	<u>\$ 2,462,751</u>	<u>\$ 8,832,123</u>

See notes to financial statements

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

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

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

See notes to financial statements

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

**Statement of Functional Expenses
Year Ended June 30, 2017**

	Education	OWW	Women	CLP	DLFtv	DLF Live	Government	International	Other Programs	Total Program	Management and General	Fundraising	Total
Personnel	\$ 1,000,248	\$ 239,638	\$ 251,403	\$ 258,884	\$ 305,680	\$ 418,633	\$ 151,092	\$ 79,044	\$ 368,688	\$ 3,073,310	\$ 374,033	\$ 726,462	\$ 4,173,805
Grants	3,023,643	248,177	71,424	99,390	-	16,128	-	93,868	689,404	4,242,034	-	-	4,242,034
Program expenses	86,354	989	997	1,248	46	26	611	1,142	17,541	108,954	-	13	108,967
Program research	12,410	3,040	3,040	-	-	-	-	-	12,160	30,650	-	-	30,650
Retreat expenses	45,757	-	-	30	-	-	-	-	22,988	68,775	-	-	68,775
Production and media	2,392	256	214	2,127	39,869	251,240	5,073	85	2,907	304,163	214	411,737	716,114
Printing and advertising	1,350	317	-	915	-	12,880	1,235	-	119	16,816	-	29,315	46,131
Special events and annual gala	118	1,465	-	24,402	1,369	490,157	16,972	1,400	359	536,242	456	538,920	1,075,618
Cultivation expense	446	153	56	781	-	3,742	798	-	2,078	8,054	-	24,201	32,255
Consultants/website design	42,051	22,180	5,299	9,151	12,024	289,427	24,919	2,906	21,938	429,895	15,564	136,967	582,426
Occupancy	112,472	37,333	30,801	148,618	37,054	62,108	54,968	8,710	105,945	598,009	30,319	80,598	708,926
Telephone and internet	8,050	2,737	2,254	6,852	2,579	5,259	4,443	794	3,220	36,188	1,932	5,891	44,011
Postage and shipping	268	27	40	21	2,315	13,075	369	82	563	16,760	841	4,476	22,077
Office supplies and equipment rental	11,070	3,570	3,004	8,267	3,061	5,817	5,210	934	4,319	45,252	2,369	12,684	60,305
IT (software, hardware and web)	5,795	1,438	73	469	10,474	1,124	1,055	936	18,182	39,546	27,414	27,394	94,354
Audit	-	-	-	-	-	-	-	-	-	-	18,500	-	18,500
Membership and subscriptions	389	9	4	9	2,163	2,687	-	4	479	5,744	3,880	16,326	25,950
Professional development	19,049	924	574	-	-	-	1,534	384	4,964	27,429	1,219	13,347	41,995
Travel and meetings	86,466	9,229	3,019	7,491	36,044	144,479	38,527	11,432	70,455	407,142	19,545	88,180	514,867
Insurance	14,400	2,000	1,600	2,000	5,788	22,434	1,228	400	4,400	54,250	1,600	4,800	60,650
Legal	16,554	2,759	1,839	2,069	1,839	32,062	7,759	920	5,288	71,089	1,839	6,846	79,774
Bank and credit card fees	56	-	-	1,433	98	-	4,674	202	5,388	11,851	1,712	31,601	45,164
Third party fees	-	-	-	-	-	143,868	-	-	-	143,868	-	52,845	196,713
Donated services	3,595	3,595	3,595	2,397	2,397	2,397	3,595	2,397	11,984	35,952	7,190	4,793	47,935
Depreciation	9,660	4,471	3,795	7,718	3,895	7,060	1,806	1,071	6,030	45,506	3,377	9,948	58,831
	<u>4,502,593</u>	<u>584,307</u>	<u>383,031</u>	<u>584,272</u>	<u>466,695</u>	<u>1,924,603</u>	<u>325,868</u>	<u>206,711</u>	<u>1,379,399</u>	<u>10,357,479</u>	<u>512,004</u>	<u>2,227,344</u>	<u>13,096,827</u>
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	(731,048)	(731,048)
	<u>\$ 4,502,593</u>	<u>\$ 584,307</u>	<u>\$ 383,031</u>	<u>\$ 584,272</u>	<u>\$ 466,695</u>	<u>\$ 1,924,603</u>	<u>\$ 325,868</u>	<u>\$ 206,711</u>	<u>\$ 1,379,399</u>	<u>\$ 10,357,479</u>	<u>\$ 512,004</u>	<u>\$ 1,496,296</u>	<u>\$ 12,365,779</u>

See notes to financial statements

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

Statements of Cash Flows

	Year Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,686	\$ 2,290,184
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	43,899	-
Depreciation	81,097	58,831
Loss on disposal of property and equipment	-	61,578
Change in operating assets and liabilities		
Contributions and other receivables	2,662,764	(3,217,519)
Prepaid expenses	(73,166)	7,367
Inventory	3,340	(115)
Security deposits	21,130	(37,440)
Accounts payable	546,186	13,995
Accrued vacation	27,077	29,582
Net Cash from Operating Activities	3,331,013	(793,537)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of certificates of deposit	1,181,870	1,136,675
Purchase of certificates of deposit	(1,916,716)	-
Purchase of property and equipment	(131,208)	(203,345)
Net Cash from Investing Activities	(866,054)	933,330
Net Change in Cash	2,464,959	139,793
 CASH		
Beginning of year	1,415,801	1,276,008
End of year	\$ 3,880,760	\$ 1,415,801

See notes to financial statements

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

Notes to Financial Statements
June 30, 2018 and 2017

1. Organization and Tax Status

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

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

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.

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation (continued)

- *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, 2018 and 2017.

Certificates of Deposit

Certificates of deposit are reported at cost plus accrued interest, which approximates fair value.

Contributions Receivable

Contributions receivable are all deemed by management to be collectable. Accordingly, there is no allowance for doubtful accounts. Contributions receivable that are expected to be collected in future years are discounted to their net realizable value using a risk-adjusted discount rate. The discount is amortized and reflected within contribution income in the statements of activities over the period in which the pledge is expected to be collected.

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.

Contributions and Grant Revenue

Contributions 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.

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 statements of activities as net assets released from restrictions.

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Contributions and Grant Revenue (continued)

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.

Program Revenue

Program revenue is recognized as revenue when services are provided.

Grants

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

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2015.

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.

Reclassifications

Certain accounts have been reclassified for fiscal year ended June 30, 2017 to conform with the financial statements for fiscal year ended June 30, 2018.

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

Notes to Financial Statements
June 30, 2018 and 2017

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 14, 2018, 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.

On October 12, 2018, the Foundation entered into two separate line of credit notes to borrow up to \$4,500,000 in aggregate. The interest rate on these notes is 3% and 3.33%

3. Concentration of Credit Risk

The credit risk for contributions receivable at June 30, 2018 and 2017 was concentrated, with forty-four percent from three donors and forty-three percent owed from one donor. Additionally, the Foundation received approximately thirty-seven percent and twenty-five percent of its total support and revenue from two donors during the years ended June 30, 2018 and 2017.

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

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

4. Contributions Receivable

The Foundation received unconditional temporarily restricted contributions which have been recorded net of a present value discount of 4.73% and 2.95% at June 30, 2018 and 2017, respectively, as follows:

	<u>2018</u>	<u>2017</u>
Due in two or more years	\$ 2,375,000	\$ 1,700,000
Less discount	<u>(227,094)</u>	<u>(166,107)</u>
	2,147,906	1,533,893
Due in one year or less	<u>2,187,643</u>	<u>5,498,533</u>
	<u>\$ 4,335,549</u>	<u>\$ 7,032,426</u>

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

Notes to Financial Statements
June 30, 2018 and 2017

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Chicago School Programs	\$ 100,000	\$ -
Education Program	5,760	57,020
International Program	17,084	22,271
Los Angeles School Program	14,830	88,500
Other Programs	19,700	19,700
THEARC/Washington, D.C. Programs	280,000	420,000
The Peter G. Dodge Foundation Recovery Study	24,377	111,698
Veterans Program	11,160	27,560
Time Restrictions	2,791,629	1,716,002
	\$ 3,264,540	\$ 2,462,751

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

	2018	2017
Chicago School Programs	\$ 1,136,600	\$ -
Education Program	57,020	106,580
International Program	38,738	73,804
Los Angeles School Program	123,670	1,500
Other Programs	-	19,970
THEARC/Washington, D.C. Programs	140,000	80,000
The Peter G. Dodge Foundation Recovery Study	87,321	38,302
Veterans Program	16,400	68,788
Women's Initiative Program	-	30,000
Time Restrictions	310,000	360,000
	\$ 1,909,749	\$ 778,944

6. 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.

**David Lynch Foundation For
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Notes to Financial Statements
June 30, 2018 and 2017

6. License and Royalty Fees (continued)

The Agreement also provides for advance payments for the years ended June 30, 2018 and 2017. In addition, the Agreement provides for additional royalty fees to be paid to the Foundation based on future sales of the manuscript. The Foundation received approximately \$325,000 and \$207,000 for the years ended June 30, 2018 and 2017.

7. Operating Lease Commitments

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

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:

2019	\$ 922,625
2020	717,843
2021	727,027
2022	776,783
2023	799,800
Thereafter	<u>1,189,137</u>
	<u>\$ 5,133,215</u>

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

Rent expense totaling \$972,210 and \$611,005 for the years ended June 30, 2018 and 2017 is included in occupancy expenses on the accompanying statements of functional expenses.

8. 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, 2018 and June 30, 2017 were \$6,411 and \$47,935 for pro-bono legal services.

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