

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

Financial Statements

June 30, 2021 and 2020

## 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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of David Lynch Foundation For Consciousness-Based Education and World Peace as of June 30, 2021 and 2020, 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*

December 3, 2021

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

Statements of Financial Position

	June 30	
	2021	2020
<b>ASSETS</b>		
Current Assets		
Cash	\$ 3,825,025	\$ 2,288,198
Certificates of deposit	-	1,002,959
Contributions receivable, net	3,666,274	3,295,774
Employee receivables	-	3,710
Prepaid expenses and other current assets	146,490	54,498
Total Current Assets	7,637,789	6,645,139
Non-current Assets		
Contributions receivable, net	1,506,487	2,589,595
Security deposits	200,364	200,484
Property and Equipment		
Furniture and fixtures	292,099	319,550
Equipment	274,999	274,999
	567,098	594,549
Less accumulated depreciation	456,886	418,651
	110,212	175,898
Total Non-current Assets	1,817,063	2,965,977
Total Assets	\$ 9,454,852	\$ 9,611,116
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 205,068	\$ 266,650
Accrued vacation	81,841	64,627
Total Current Liabilities	286,909	331,277
Non-current Liabilities		
Paycheck Protection Program loan	764,005	829,808
Total Liabilities	1,050,914	1,161,085
Net Assets		
Without donor restrictions	903,711	1,474,367
With Donor Restrictions		
Time restricted	-	9,132
Purpose restricted	7,500,227	6,966,532
	7,500,227	6,975,664
Total Net Assets	8,403,938	8,450,031
Total Liabilities and Net Assets	\$ 9,454,852	\$ 9,611,116

See notes to financial statements

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

Statements of Activities

	Year Ended					
	June 30, 2021			June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contribution and grant revenue	\$ 2,094,651	\$ 3,506,966	\$ 5,601,617	\$ 2,228,183	\$ 5,170,301	\$ 7,398,484
Paycheck Protection Program loan forgiveness	829,808	-	829,808	-	-	-
Special events (net of \$480,420 and \$677,808 direct benefit to donors for 2021 and 2020)	180,945	-	180,945	82,592	-	82,592
Program revenue	192,951	-	192,951	508,438	-	508,438
Sublease income	245,774	-	245,774	152,046	-	152,046
License and royalty fees	9,342	-	9,342	14,849	-	14,849
Interest income	7,632	-	7,632	28,596	-	28,596
Net assets released from restrictions	2,982,403	(2,982,403)	-	4,887,965	(4,887,965)	-
Total Support and Revenue	<u>6,543,506</u>	<u>524,563</u>	<u>7,068,069</u>	<u>7,902,669</u>	<u>282,336</u>	<u>8,185,005</u>
<b>EXPENSES</b>						
Program	4,422,214	-	4,422,214	5,795,915	-	5,795,915
Management and general	1,491,702	-	1,491,702	1,381,719	-	1,381,719
Fundraising	1,200,246	-	1,200,246	1,299,005	-	1,299,005
Total Expenses	<u>7,114,162</u>	<u>-</u>	<u>7,114,162</u>	<u>8,476,639</u>	<u>-</u>	<u>8,476,639</u>
Change in Net Assets	(570,656)	524,563	(46,093)	(573,970)	282,336	(291,634)
<b>NET ASSETS</b>						
Beginning of year	<u>1,474,367</u>	<u>6,975,664</u>	<u>8,450,031</u>	<u>2,048,337</u>	<u>6,693,328</u>	<u>8,741,665</u>
End 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>

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										
	HFHC (formerly Education)	Veterans	Women	CHW	Government	International	Other Programs	Total Program	Management and General	Fundraising	Total
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**

**Statement of Functional Expenses  
Year Ended June 30, 2020**

	Program											Management and General	Fundraising	Total
	HFHC (formerly Education)	Veterans	Women	CHW	DLFtv	Awareness	Government	International	Other Programs	Total Program				
Personnel	\$ 620,072	\$ 474,600	\$ 64,831	\$ 248,708	\$ 192,671	\$ 383,041	\$ 378,296	\$ 13	\$ 592,451	\$ 2,954,683	\$ 470,646	\$ 715,319	\$ 4,140,648	
Grants	539,599	133,518	12,287	211,856	-	414	21,189	146,430	237,185	1,302,478	-	-	1,302,478	
Program expenses	13,173	1,236	514	1,074	-	-	643	-	7,270	23,910	-	-	23,910	
Program research	33,189	70,333	-	135	-	-	-	-	4,187	107,844	-	-	107,844	
Retreat expenses	13,922	-	-	325	-	-	-	-	1,153	15,400	-	-	15,400	
Production and media	708	1,075	-	2,325	40,402	71,209	-	-	-	115,719	22,515	16,255	154,489	
Printing and advertising	8,062	3,500	-	5,700	-	1,844	50	-	3,444	22,600	562	10,008	33,170	
Special events and annual gala	5,783	-	-	-	-	34,969	683	-	50	41,485	450	730,415	772,350	
Cultivation expense	184	571	214	2,130	-	-	1,017	363	7,389	11,868	10,849	16,518	39,235	
Consultants/website design	17,428	34,515	868	20,320	1,735	28,369	14,155	14,324	118,951	250,665	29,216	122,133	402,014	
Occupancy	117,700	61,372	6,477	42,025	15,471	46,483	75,996	18,767	120,646	504,937	332,582	174,544	1,012,063	
Telephone and internet	4,727	2,880	287	2,268	3,822	3,118	4,796	842	6,846	29,586	16,109	5,776	51,471	
Postage and shipping	1,089	65	5	44	1,540	1,030	474	413	407	5,067	1,541	1,522	8,130	
Office supplies and equipment rental	4,477	2,576	259	2,420	1,154	1,700	5,152	602	3,762	22,102	16,141	6,003	44,246	
IT (software, hardware and web)	21,321	7,697	992	8,566	9,604	24,118	5,877	3,680	18,162	100,017	7,391	75,298	182,706	
Audit	-	-	-	-	-	-	-	-	-	-	21,000	-	21,000	
Membership and subscriptions	-	-	-	-	591	347	143	-	971	2,052	765	2,383	5,200	
Professional development	1,272	-	-	-	-	-	-	-	1,881	3,153	896	134	4,183	
Travel and meetings	30,052	17,773	592	3,520	11,113	5,393	6,216	7,189	31,678	113,526	51,492	58,859	223,877	
Insurance	13,085	6,252	653	3,285	2,170	3,989	2,918	1,604	8,907	42,863	28,990	24,026	95,879	
Legal	10,487	213	19	234	84	4,109	139	57	623	15,965	29,743	4,405	50,113	
Bank and credit card fees	544	800	176	9,676	41	75	166	382	5,019	16,879	1,127	5,857	23,863	
Third party fees	-	-	-	-	-	49,825	-	-	-	49,825	700	555	51,080	
Bad debt	-	-	-	-	-	-	-	-	-	-	311,650	-	311,650	
Depreciation	6,656	6,036	439	9,642	2,569	4,594	4,083	1,424	7,848	43,291	27,354	6,803	77,448	
	<u>1,463,530</u>	<u>825,012</u>	<u>88,613</u>	<u>574,253</u>	<u>282,967</u>	<u>664,627</u>	<u>521,993</u>	<u>196,090</u>	<u>1,178,830</u>	<u>5,795,915</u>	<u>1,381,719</u>	<u>1,976,813</u>	<u>9,154,447</u>	
Special events - direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	(677,808)	(677,808)	
	<u>\$ 1,463,530</u>	<u>\$ 825,012</u>	<u>\$ 88,613</u>	<u>\$ 574,253</u>	<u>\$ 282,967</u>	<u>\$ 664,627</u>	<u>\$ 521,993</u>	<u>\$ 196,090</u>	<u>\$ 1,178,830</u>	<u>\$ 5,795,915</u>	<u>\$ 1,381,719</u>	<u>\$ 1,299,005</u>	<u>\$ 8,476,639</u>	

See notes to financial statements

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

Statements of Cash Flows

	Year Ended June 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (46,093)	\$ (291,634)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Paycheck Protection Program loan forgiveness	(829,808)	-
Bad debt expense	515,000	311,650
Depreciation	59,199	77,448
Loss on disposal of equipment	6,487	33,076
Change in operating assets and liabilities		
Contributions and employee receivables	201,318	(2,243,206)
Prepaid expenses and other current assets	(91,992)	164,532
Security deposits	120	25,421
Accounts payable	(61,582)	(49,482)
Accrued vacation	17,214	(24,540)
Net Cash from Operating Activities	(230,137)	(1,996,735)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity of certificates of deposit	1,002,959	2,255,937
Purchase of certificates of deposit	-	(2,506,750)
Purchase of property and equipment	-	(16,156)
Net Cash from Investing Activities	1,002,959	(266,969)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	764,005	829,808
Net Change in Cash	1,536,827	(1,433,896)
 <b>CASH</b>		
Beginning of year	2,288,198	3,722,094
End of year	\$ 3,825,025	\$ 2,288,198

See notes to financial statements



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

Notes to Financial Statements  
June 30, 2021 and 2020

**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 (formerly Education)***

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 in low income schools, school teachers, community groups, Latino and Black community members, and college students. Instructions take place at schools, hospitals, and community centers. To bring TM to those most in need, DLF partners with local authorities, hospitals, and community groups. Through this citywide initiative, DLF is working towards addressing health inequities in New York City, as well as increasing the wellness and wellbeing of NYC government workers and community members. In partnering with NYC government agencies, DLF continues the focused effort of demonstrating the effectiveness of TM and the importance of getting instructions covered by health insurance.

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

This program provides TM training to veterans, active-duty personnel, and military families. The technique of TM has been shown to relieve symptoms of post-traumatic stress disorder (PTSD) and major depression. The Resilient Warrior Program works with major veteran service organizations including Veterans Administration medical centers, Fort Gordon Traumatic Brain Injury Clinic, and the Boulder Crest Retreat. DLF is working closely with top administrative and research leadership at the VA to design the largest study ever on meditation and PTSD. The study will take place at 9 VA medical centers and research universities across the U.S. with approximately 450-500 subjects. In addition to PTSD clinical outcomes, the study will examine depression, suicidal ideation, substance craving/usage, and sleep - 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, 2021 and 2020

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

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

The Women's Health Initiative provides TM training for survivors of domestic 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. CHW also furthers awareness of the impact of DLF's work and the effectiveness of TM.

***DLFtv***

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

***Awareness (DLF Live)***

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

**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2021 and 2020

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

***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, Bishop Walker School for Boys, Phillips Collection, Howard University Hospital, Far Southeast Family Strengthening Collaborative, HD Woodson High School, Bellevue Success Center, and the House of Ruth. 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. DLF partners with organizations in the San Francisco bay area to promote the power of TM to profoundly heal and restore the lives of individuals who live with HIV/AIDS.

*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. DLF has quickly mobilized to respond to the needs of our healthcare workers. The response from healthcare workers, hospitals, research centers, and donors has been extraordinary. As of October 2021, TM instruction has taken place in over 40 hospitals and medical centers around the country, including research focused on TM and healthcare provider wellness at 7 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 healthcare industry and its medical providers will have additional evidence of TM's effectiveness; which helps to secure and allocate funding for further TM instruction.

**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2021 and 2020

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

***Other Programs (continued)***

*Los Angeles Programs*

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

***Tax Status***

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

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***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.

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

Notes to Financial Statements  
June 30, 2021 and 2020

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

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

Net assets with donor restrictions represent net assets subject to donor-imposed restrictions that expire by the passage of time, or by actions of the Foundation. When a donor's time-restriction expires or a purpose-restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as "net assets released from restrictions".

***Certificates of Deposit***

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

***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 \$515,000 and \$312,000 of bad debt during 2021 and 2020, 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.

***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.

**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2021 and 2020

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

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

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

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

***Program Revenue***

Program revenue for transcendental meditation courses and instructional workshops is recognized as revenue when such 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, 2018.

***Functional Allocation of Expenses***

The costs of providing various programs, grants, and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services based on time and effort records, departmental expense activity, and estimates made by the Foundation's management.

***Reclassifications***

Certain items in the 2020 statement of cash flows were reclassified to conform to the 2021 statement of cash flows.

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**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 December 3, 2021, the date which the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through the evaluation date that would require adjustment to or disclosure in the financial statements.

**3. Concentration of Credit Risk**

The credit risk for contributions receivable at June 30, 2021 and 2020 was concentrated, with 73% and 68% owed from six and seven donors, respectively. Additionally, the Foundation received approximately 28% and 40% of its contribution and grant revenue from two and three donors during the years ended June 30, 2021 and 2020, respectively.

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 restricted contributions which have been recorded net of a present value discount of 4.25% at June 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Due in two or more years	\$ 1,830,000	\$ 2,769,000
Less:		
Allowance for doubtful accounts	(215,000)	-
Discount to present value	<u>(108,513)</u>	<u>(179,405)</u>
	1,506,487	2,589,595
Due in one year or less	<u>3,666,274</u>	<u>3,295,774</u>
Total Contributions Receivable	<u>\$ 5,172,761</u>	<u>\$ 5,885,369</u>

**David Lynch Foundation For  
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June 30, 2021 and 2020

**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 5.872% plus the London interbank offered rate (“LIBOR”) with the outstanding balance to be repaid on or before the expiration date of January 25, 2022. As of June 30, 2021 and 2020, 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. Under requirements contained in ASU 2018-08, “Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,” the Foundation recognized the full amount of the proceeds from this PPP Loan as PPP loan forgiveness in the 2021 statement of activities.

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.

**7. Net Assets with Donor Restrictions**

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

	2021	2020
Veterans Program	\$ 4,600,419	\$ 3,505,113
Time restrictions	2,117,778	2,535,000
THEARC/Washington, D.C. Programs	350,000	650,000
Heal the Healers Now	245,254	33,752
Los Angeles School Program	103,288	152,117
Other programs	58,988	65,550
Fetzer Memorial Trust	24,500	25,000
International Program	-	9,132
	\$ 7,500,227	\$ 6,975,664



**David Lynch Foundation For  
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Notes to Financial Statements  
June 30, 2021 and 2020

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

Net assets released from restriction during the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Heal the Healers Now	\$ 1,002,298	\$ 278,375
Time restrictions	827,222	1,050,000
Veterans Program	415,198	2,470,373
Los Angeles School Program	366,493	110,383
THEARC/Washington, D.C. Programs	345,000	140,000
Other programs	16,560	10,129
International program	9,132	11,545
Fetzer Memorial Trust	500	270,000
Chicago School Programs	-	45,000
Education Program	-	502,160
	<u>\$ 2,982,403</u>	<u>\$ 4,887,965</u>

**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 \$9,000 and \$15,000 for the years ended June 30, 2021 and 2020, 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. and Massachusetts 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.

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Notes to Financial Statements  
June 30, 2021 and 2020

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

Future annual minimum lease commitments under these operating leases that have remaining terms in excess of one year are as follows for years ending June 30:

2022	\$	867,645
2023		799,609
2024		823,306
2025		302,727
2026		30,841
2027		31,458
		<u>\$ 2,855,586</u>

Rent expense totaled approximately \$902,000 and \$917,000 for the years ended June 30, 2021 and 2020, 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.

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

2022	\$	253,147
2023		260,742
2024		268,564
2025		91,912
		<u>\$ 874,365</u>

Rental income was approximately \$246,000 and \$152,000 for the years ended June 30, 2021 and 2020, respectively.

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**10. Liquidity and Availability of Financial Assets**

The Foundation's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows as of June 30:

	2021	2020
Financial assets at year end:		
Cash	\$ 3,825,025	\$ 2,288,198
Certificates of deposit	-	1,002,959
Contributions receivable, net	5,172,761	5,885,369
Employee receivables	-	3,710
Total Financial Assets	8,997,786	9,180,236
Less: net assets with donor restrictions	(7,500,227)	(6,975,664)
Add next year's release of donor restrictions	2,160,273	2,013,000
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 3,657,832	\$ 4,217,572

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, 2021.

**11. Contingencies**

The ongoing Coronavirus ("COVID-19") pandemic has resulted in substantial volatility in the global economy. COVID-19 has had and may continue to have an adverse effect on the results of the Foundation's operations. Given the uncertainty around the extent and timing of the potential future spread or migration of COVID-19 and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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, primarily through its insurance carrier. This litigation has only recently commenced and the court has granted significant portions of the Foundation's motions for dismissal.

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