

**BRAHMANANDA SARASWATI
FOUNDATION**

Independent Auditors' Report
Financial Statements

December 31, 2018 and 2017

BRAHMANANDA SARASWATI FOUNDATION

Contents	Page(s)
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3-4
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to Financial Statements	8-19



Independent Auditors' Report

To the Board of Directors of
Brahmananda Saraswati Foundation
Fairfield, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Brahmananda Saraswati Foundation (a nonprofit organization) as of and for the years ended December 31, 2018 and 2017, which comprise the financial statements as listed in the table of contents.

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 audits 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 organization'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 organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brahmananda Saraswati Foundation, as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

TDT CPAs and Advisors, P.C.

West Des Moines, Iowa
April 25, 2019

BRAHMANANDA SARASWATI FOUNDATION
Statements of Financial Position
December 31, 2018 and 2017

Assets		
	2018	2017
Current assets:		
Cash and cash equivalents	\$ 996,508	1,169,462
Accrued interest receivable	3,182	10,864
Course fees receivable	6,903	12,600
App fees receivable	7,155	9,151
Current portion of notes receivable	155,143	268,837
Prepaid expenses	34,775	28,486
Investments	945,391	979,150
Notes receivable - short-term	645,000	-
Receivable from affiliates	18,221	25,576
Total current assets	2,812,278	2,504,126
Long-term assets:		
Property held for investment	28,635,860	24,038,977
Long-term investments	31,718,502	33,547,427
Long-term interest receivable	25,334	349,065
Notes receivable, net of allowance	5,155,954	9,493,382
Total long-term assets	65,535,650	67,428,851
Property and equipment:		
Land	6,353,397	3,814,008
Buildings	4,493,810	3,720,810
Computer equipment	2,895	2,895
	10,850,102	7,537,713
Less accumulated depreciation	424,026	273,737
Net property and equipment	10,426,076	7,263,976
Total assets	\$ 78,774,004	77,196,953

See accompanying notes to financial statements.

BRAHMANANDA SARASWATI FOUNDATION
Statements of Financial Position
December 31, 2018 and 2017

Liabilities and Net Assets		
	2018	2017
Current liabilities:		
Accounts payable	\$ 181,144	139,331
Contingency - environmental remediation	1,150,000	-
Accrued payroll	24,513	21,234
Deferred revenue	248,420	265,853
Current portion of long-term debt	62,452	22,670
Total current liabilities	1,666,529	449,088
Long-term debt, less current portion	58,019	177,930
Total liabilities	1,724,548	627,018
Net assets:		
Without donor restrictions	68,999,702	68,045,635
With donor restrictions	8,049,754	8,524,300
Total net assets	77,049,456	76,569,935
Total liabilities and net assets	\$ 78,774,004	77,196,953

See accompanying notes to financial statements.

BRAHMANANDA SARASWATI FOUNDATION
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contributions	\$ 7,231,012	77,119	7,308,131	5,488,363	819,164	6,307,527
Contributions - corporate stock	2,985,750		2,985,750	-	-	-
Contributions under Four Organization Agreement	4,095,006		4,095,006	-	-	-
Course fee revenue	546,935		546,935	490,848	-	490,848
Investment income (loss)	2,548,108	116,071	2,664,179	664,565	203,110	867,675
Unrealized gain (loss) on investments	(4,618,743)	(511,205)	(5,129,948)	813,385	437,476	1,250,861
Unrealized gain (loss) on foreign currency adjustment	456,541		456,541	706,973	-	706,973
Real estate investment income	813,193		813,193	769,557	-	769,557
In-kind grant income	182,407		182,407	182,407	-	182,407
Other income	95,283		95,283	68,691	-	68,691
Net assets released from restrictions	156,531	(156,531)	-	53,997	(53,997)	-
Total revenues	<u>14,492,023</u>	<u>(474,546)</u>	<u>14,017,477</u>	<u>9,238,786</u>	<u>1,405,753</u>	<u>10,644,539</u>
Functional expenses:						
Program services	10,346,786		10,346,786	5,718,002	-	5,718,002
Supporting services:						
Management and general	1,251,794		1,251,794	848,499	-	848,499
Fundraising	253,701		253,701	284,443	-	284,443
Total expenses	<u>11,852,281</u>		<u>11,852,281</u>	<u>6,850,944</u>	<u>-</u>	<u>6,850,944</u>
Other income (expenses):						
Mineral rights depletion expense	(215,654)		(215,654)	-	-	-
Environmental remediation costs	(1,466,647)		(1,466,647)	-	-	-
Loss on sale of property	(3,374)		(3,374)	(7,017,041)	-	(7,017,041)
Total other income (expenses)	<u>(1,685,675)</u>		<u>(1,685,675)</u>	<u>(7,017,041)</u>	<u>-</u>	<u>(7,017,041)</u>
Change in net assets	954,067	(474,546)	479,521	(4,629,199)	1,405,753	(3,223,446)
Net assets at beginning of year	68,045,635	8,524,300	76,569,935	72,674,834	7,118,547	79,793,381
Net assets at end of year	<u>\$ 68,999,702</u>	<u>8,049,754</u>	<u>77,049,456</u>	<u>68,045,635</u>	<u>8,524,300</u>	<u>76,569,935</u>

See accompanying notes to financial statements.

BRAHMANANDA SARASWATI FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating activities:		
Change in net assets	\$ 479,521	(3,223,446)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	150,290	135,289
Depletion - mineral rights	215,654	-
Loss on sale of property	3,374	7,017,041
Noncash contribution from 4 Organization Agreement	(4,015,551)	-
Noncash contributions of securities	-	(2,563)
(Gain) loss on foreign currency adjustment	(456,541)	(706,973)
Reinvested investment income	(2,664,179)	(607,666)
Unrealized (gain) loss on investments	5,129,948	(1,250,861)
Contributions restricted for long-term investment	(77,119)	(50,100)
(Increase) decrease in:		
Receivables	346,461	(9,444)
Prepaid expenses	(6,289)	(10,320)
Increase (decrease) in:		
Accounts payable	41,813	(74,353)
Environmental remediation	1,150,000	-
Accrued expenses	3,279	5,032
Deferred revenue	(17,433)	13,903
	<u>(196,293)</u>	<u>4,458,985</u>
Net cash provided (used) by operating activities	<u>283,228</u>	<u>1,235,539</u>
Investing activities:		
Purchases of investments	(26,665,264)	(20,246,738)
Sales of investments	26,056,949	20,613,589
Issuance of notes receivable	-	(1,880,960)
Payments received on notes receivable	155,143	649,144
Net cash provided (used) by investing activities	<u>(453,172)</u>	<u>(864,965)</u>
Financing activities:		
Contributions restricted for long-term investment	77,119	50,100
Payments on long-term debt	(80,129)	(73,702)
Net cash provided (used) by financing activities	<u>(3,010)</u>	<u>(23,602)</u>
Net increase (decrease) in cash and cash equivalents	(172,954)	346,972
Cash and cash equivalents at beginning of year	<u>1,169,462</u>	<u>822,490</u>
Cash and cash equivalents at end of year	<u>\$ 996,508</u>	<u>1,169,462</u>

See accompanying notes to financial statements.

BRAHMANANDA SARASWATI FOUNDATION
Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018			2017				
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Charitable distributions	\$ 9,517,250	-	15,286	9,532,536	\$ 5,103,493	-	15,204	5,118,697
In-kind gift of occupancy	182,407	-	-	182,407	182,407	-	-	182,407
Payroll expenses	17,400	189,282	64,712	271,394	52,487	151,237	70,536	274,260
Course expenses	284,145	-	-	284,145	266,806	-	-	266,806
Consulting and professional fees	56,389	62,707	-	119,096	43,843	48,715	4,000	96,558
Insurance	-	22,364	-	22,364	2,089	13,352	-	15,441
Permits and licenses	-	475	4,471	4,946	-	-	4,977	4,977
Supplies	46,367	25,735	4,004	76,106	7,080	1,257	1,304	9,641
Telephone	-	1,396	532	1,928	11	1,530	680	2,221
Credit card and bank fees	16,337	200,152	80,897	297,386	16,839	53,075	98,106	168,020
Interest	1,149	7,783	-	8,932	2,529	7,684	-	10,213
Facilities expense/occupancy	168,653	462,229	-	630,882	-	427,307	6,026	433,333
Travel and meetings	19,303	-	610	19,913	8,530	-	294	8,824
Postage	146	363	81	590	623	-	286	909
Internet, webhosting, and printing	-	209	-	209	-	-	161	161
App and website development	37,240	6,144	83,108	126,492	31,265	-	82,869	114,134
Real estate management expenses	-	17,472	-	17,472	-	9,053	-	9,053
Debt forgiveness	-	105,193	-	105,193	-	-	-	-
Depreciation	-	150,290	-	150,290	-	135,289	-	135,289
	<u>\$ 10,346,786</u>	<u>1,251,794</u>	<u>253,701</u>	<u>11,852,281</u>	<u>\$ 5,718,002</u>	<u>848,499</u>	<u>284,443</u>	<u>6,850,944</u>

See accompanying notes to financial statements.

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies

Nature of Operations - Brahmananda Saraswati Foundation is a Delaware non-profit corporation founded by His Holiness Maharishi Mahesh Yogi exclusively for charitable, educational, and scientific purposes. The specific purposes for which the Foundation was formed are:

1. To secure the safety and invincibility for all future life by perpetually providing support for the Vedic performances of the Vedic Pandits from the precious Vedic families of India for perpetual global invincibility.
2. To create and maintain a fund, the income from which will support the Vedic Pandits generation after generation.
3. To promote throughout the world the knowledge that life is the everlasting evolving expression of Natural Law, which administers the universe with perfect order, and to apply the Total Knowledge and highly practical, consciousness-based technologies of Natural Law brought to light by His Holiness Maharishi Mahesh Yogi for the welfare of all people, everywhere.
4. To accept, hold, invest, reinvest, and administer any gifts, legacies, bequests, devises, trusts, remainder trusts, funds and property of any sort or nature, and to use, expand, or donate the income or principle thereof for, and to devote the same to, the foregoing purposes of the Foundation.
5. To perform any and all lawful acts which may be necessary, useful, suitable, or proper for the furtherance of the accomplishment of the purposes of the Foundation.

Income Taxes - The Foundation is exempt from Federal income tax as a Foundation described in Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. In these financial statements, assets, liabilities, and the reported amount of revenues and expenses involve extensive reliance on management's estimates. Actual results could differ from those estimates.

Accrual Basis - The financial statements of Brahmananda Saraswati Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Net assets and revenues, expenses, 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* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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 revenues without restrictions.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash restricted for long-term purposes is excluded from cash and cash equivalents and is classified as restricted cash.

Investments - Investments include marketable equity and debt securities and cash or cash equivalents. Investments in marketable equity and debt securities are carried at fair value with unrealized and realized gains and losses on investments reported as an increase or decrease in net assets without donor restrictions or net assets with donor restrictions based upon donor-imposed restrictions. Realized gains included in investment income for the year ended December 31, 2018 and 2017 were \$1,720,392 and \$84,992, respectively.

Investment income is reported in the statement of activities as revenue with donor restrictions or revenue without donor restrictions based upon donor-imposed restrictions. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported in net assets without restrictions when the restrictions are met in the same reporting period as the gains and income are recognized.

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Held for Investment - The Foundation maintains several real estate holdings for investment purposes, which were received from donors and from the four-organization agreement as described in Note 11. These properties are valued on the financial statements at cost basis (fair market value as of the date of receipt) as allowed by FASB ASC 958-325-35. Foreign investments are adjusted for currency valuation as of December 31, 2018 and 2017. At December 31, 2018 and 2017, the properties are held for income and appreciation purposes or are held for sale as shown below:

		2018	2017
Held for sale properties	\$	9,236,880	5,500,000
Held for long-term investment		19,398,980	18,538,977
Total	\$	28,635,860	24,038,977

Course Fees Receivable and Receivables from Affiliates - The Foundation carries its course fees receivable and receivables from affiliates at cost less an allowance for doubtful accounts, when necessary. On a periodic basis, the Foundation evaluates its course fee receivables and receivables from affiliates and determines if an allowance is necessary based on history of past write-offs and collections and current credit conditions. Currently there is no allowance deemed necessary. All course fees and other receivables are receivable within one year.

Property and Equipment - Purchased property and equipment is recorded at cost. Maintenance and repairs are charged to expense. Renewals and betterments which substantially extend the useful life of property and cost more than \$5,000 are capitalized. Depreciation has been calculated based on the straight-line method over the estimated useful lives of the depreciable assets of 10 to 27.5 years.

Deferred Revenue - Deferred revenue consists of fees paid in advance by certain course participants from outside of India to attend scheduled in-residence courses, to be offered at the International Center for Maharishi Vedic Pandits at the Brahmasthan (the geographical center) of India. For \$70,234 of the total deferred revenue as of December 31, 2018, the course participants have agreed that if they do not attend the courses as of specified dates, their prepaid course fees will have expired and will no longer be available. The entire \$70,234 must be used by March 31, 2021.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Date of Management Review - Management has evaluated subsequent events through April 25, 2019, the date which the financial statements were available to be issued.

Note 2 - Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Foundation maintains its cash balances in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Foundation's uninsured cash balances total \$349,594.

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 3 - Availability and Liquidity

The following represents the Foundation's financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 996,508
Receivables	6,016,892
Investments	61,299,753
Total financial assets	<u>68,313,153</u>
Less amounts not available to be used within one year:	
Property held for investment	28,635,860
Long-term investments	31,718,502
Long-term receivables	5,181,288
	<u>65,535,650</u>
Financial assets available to meet general expenditures	
Over the next twelve months	\$ <u>2,777,503</u>

The Foundation has a policy to maintain adequate financial assets on hand to meet its obligations as they become due. As part of the Foundation's liquidity plan, the Board-designated endowment funds held by the Foundation as long-term investments are available to be appropriated to meet cash flow needs.

Note 4 - Vedic City Campus

During the year ended December 31, 2015, the Foundation purchased the Vedic City campus from Global Country of World Peace (one of the organizations the Foundation supports). The Foundation has allowed Global Country of World Peace to use the campus rent-free as an in-kind contribution, estimating a monthly gift of approximately \$15,200. The arrangement with Global Country of World Peace ended December 31, 2017. For the year ended December 31, 2018, the same arrangement was in place with Maharishi Foundation USA. For each of the years ended December 31, 2018 and 2017, the total in-kind contributions of use of the campus totaled \$182,407.

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Support for Vedic Pandits	\$ 2,765,420	3,251,657
Maharishi Memorial Educational Center	1,166	1,166
Bijauri Construction	198,464	226,480
Endowed for Vedic Pandits	3,997,691	3,984,851
Celebration donations	412,310	-
Red House	38,152	-
Hamden, CT	2,898	-
Earnings on amounts endowed for Vedic Pandits	633,653	1,060,146
	<u>\$ 8,049,754</u>	<u>8,524,300</u>

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 5 - Net Assets with Donor Restrictions (Continued)

During the years ended December 31, 2018 and 2017, net assets were released from donor restrictions by satisfying the purpose or time restrictions specified by donors as follows:

		2018	2017
Bijauri Construction	\$	28,016	31,946
Celebration donations		97,156	-
Development of mobile device app		-	5,001
Investment fees		31,359	17,050
	\$	156,531	53,997

Note 6 - Endowments

The Foundation's endowment consists of funds established to support the Vedic Pandits generation after generation. The endowment may also be used to help support large groups practicing Transcendental Meditation and its advanced techniques to create coherence, peace and harmony in the world. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies - Brahmananda Saraswati Foundation's primary investment objective is to preserve and protect its assets while attempting to earn a prudent return for the support of its goals. Brahmananda Saraswati Foundation currently maintains operating bank accounts and investment accounts at brokerage and investment houses. Brahmananda Saraswati Foundation has appointed an Investment Committee to manage, supervise, monitor, and support the investments of the Foundation. In 2017, Brahmananda Saraswati Foundation hired an outside independent investment advisor to assist its Investment Committee in analysis and risk control for its investments.

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 6 - Endowments (Continued)

Endowment funds are currently deposited in high yield savings accounts, public marketable debt, public and private equity securities, and mutual funds at brokerage and investment houses.

Spending Policy - The investment committee is responsible for advising the investment consultants and advisors of Brahmananda Saraswati Foundation's cash distribution requirements from any managed portfolio or fund.

Endowment net assets as of December 31, 2018 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Net Assets
Board-designated endowment funds	\$ 46,183,997	-	46,183,997
Donor-restricted endowment funds	-	4,631,343	4,631,343
Total	\$ 46,183,997	4,631,343	50,815,340

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 48,134,160	5,044,997	53,179,157
Contributions	-	12,841	12,841
Investment income	652,040	116,070	768,110
Unrealized gain (loss)	(3,047,906)	(511,205)	(3,559,111)
Unrealized loss – foreign currency adjustment	405,906	-	405,906
Interest income	39,797	-	39,797
Appropriation of endowment assets for expenditure	-	(31,360)	(31,360)
Endowment net assets, end of year	\$ 46,183,997	4,631,343	50,815,340

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 6 - Endowments (Continued)

Endowment net assets as of December 31, 2017 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Board-designated endowment funds	\$ 48,134,160	-	48,134,160
Donor-restricted endowment funds	-	5,044,997	5,044,997
Total	\$ 48,134,160	5,044,997	53,179,157

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 53,229,192	4,371,360	57,600,552
Contributions	21,750	50,100	71,850
Loss on sale of property	(7,017,041)	-	(7,017,041)
Investment income	488,156	203,110	691,266
Unrealized gain (loss)	787,728	437,477	1,225,205
Unrealized loss – foreign currency adjustment	624,375	-	624,375
Appropriation of endowment assets for expenditure	-	(17,050)	(17,050)
Endowment net assets, end of year	\$ 48,134,160	5,044,997	53,179,157

Note 7 - Fair Value Measurements

In determining fair value, the Foundation uses various valuation approaches within the FASB fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 7 - Fair Value Measurements (Continued)

- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Money market accounts: Valued at cost, which is equivalent to the fair value.

Private equity and hedge funds: Valued at the net asset value of shares of investment pools held by the Foundation through its equity partners at year end.

Marketable equity securities and mutual funds: Valued at the quoted net asset value of shares held by the Foundation at year end.

Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2018.

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 944,605	944,605	-	-
Marketable equity securities	17,811,242	17,811,242	-	-
Private equity and hedge funds	9,653,555	-	9,653,555	-
Equity and fixed income mutual funds	3,998,905	3,998,905	-	-
Total assets, at fair value	\$ 32,408,307	22,754,752	9,653,555	-

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2017:

	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 44,896	44,896	-	-
Marketable equity securities	16,609,272	16,609,272	-	-
Equity and fixed income mutual funds	8,026,339	8,026,339	-	-
Total assets, at fair value	\$ 24,680,507	24,680,507	-	-

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 7 - Fair Value Measurements (Continued)

Following is a reconciliation of investments valued at fair value above to investments as shown on the statements of financial position at December 31, 2018 and 2017:

	2018	2017
Investments, at fair value	\$ 32,408,307	24,680,507
Cash and cash equivalents, held in investments	255,586	9,846,070
	\$ 32,663,893	34,526,577
	2018	2017
Investments - current	\$ 945,391	979,150
Long-term investments	31,718,502	33,547,427
	\$ 32,663,893	34,526,577

Note 8 - Concentrations

The Foundation received approximately 29 percent of its contributions from two donors during the year ended December 31, 2018. The Foundation received approximately 25 percent of its contributions from two donors during the year ended December 31, 2017.

The Foundation's charitable distributions were granted to thirteen organizations during the year ended December 31, 2018. Two organizations received a total of 84 percent of the total charitable distributions during the year ended December 31, 2018. During the year ended December 31, 2017, charitable distributions were granted to six organizations. One organization received a total of 90 percent of the total charitable distributions during the year ended December 31, 2017.

Note 9 - Grantee Organizations

The major grantee organizations all have corporate missions that align with and support the corporate purposes of the Foundation. These charitable trust organizations include as their major spheres of activity the following:

Maharishi Ved Vigyan Vishwa Vidya Peetham - enrolls, trains, houses and maintains the daily needs of thousands of Maharishi Vedic Pandits at several dozen locations around India.

Maharishi Foundation USA - a U.S. non-profit, educational organization whose main focus is the teaching of Transcendental Meditation in the USA, but which also administered the support of a group of Vedic Scholars from India at the campus in Fairfield, IA.

Maharishi Integrative Health Foundation – a supporting organization to help carry out the charitable purposes of the Foundation and the Raam Raj Foundation.

Nepal MF for Vedic Culture – Supports Maharishi Vedic Pandits in Nepal in order to create a sphere of influence of harmony, prosperity and peace in the collective consciousness of all nations.

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 10 - Notes Receivable

Notes receivable consist of the following:

	2018	2017
Notes receivable from Global Country of World Peace (GCWP) which had varying maturity dates between 2019 and 2022 and with various interest rates. Principal and interest were payable upon maturity. In 2018, under the agreement discussed in Note 11, the Foundation arranged to forgive these amounts after receipt of certain real property. The remaining notes will be forgiven once the property is received. Amounts are shown net of allowance for uncollectible amounts of \$1,644,244 (see Note 12) and \$-0- for December 31, 2018 and 2017 respectively.	\$ 4,000,000	5,505,978
Notes receivable from Maharishi Ayurveda Products International with maturity date in June 2027 and interest rate of 4.25% with principal of \$4,000 plus interest payable monthly	606,546	654,547
Notes receivable from Association of Science of Creative Intelligence (Thailand) with maturity date in August 2018 and interest rate of 1%. Principal and interest are payable upon maturity. This note was forgiven in 2018.	-0-	100,000
Notes receivable from Stichting Maharishi University of Management with maturity date in January 2018 and interest rates of 4%. This note was satisfied as part of the Four Organization Agreement disclosed in Note 11.	-0-	2,690,000
Note receivable from GCWP in Northern Ireland with maturity date in June 2023 and interest rate of 1%.	61,694	61,694
Note receivable from Raam Raj Foundation with a maturity date in May 2024 and a beginning interest rate of 5% which increases 0.50% each year. Principal is due in annual payments of \$107,143 starting one year from inception of the note, and accrued interest is also due annually.	642,857	750,000
Total notes receivable	5,311,097	9,762,219
Less current portion	155,143	268,837
Long-term portion	\$ 5,155,954	9,493,382

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 11 - Transfer of Assets and Liabilities Under Four Organization Agreement

In 2018, the Foundation and three other entities made an agreement to eliminate certain liabilities between the entities in exchange for real property, cash, and forgiveness of other debt. Under the agreement, the Foundation received cash, real property, and accounts receivable (estimated based on expected sales of properties). The Foundation agreed to release the other entities from their obligations under previous agreements. As of December 31, 2018, one property had not yet transferred to the Foundation. As such, the Foundation has not yet forgiven the notes receivable from GCWP as disclosed in Note 12.

Note 12 – Significant Estimates and Contingencies

Environmental Remediation Costs - During 2018, Japanese regulators identified pollution on the Foundation's Japan property, and required the Foundation to mitigate the pollution. The Foundation has identified the party responsible for the pollution and has sought related damages, but as of April 25, 2019, none had been received. The Foundation has incurred costs in 2018 to remediate the pollution, and management anticipates additional costs in 2019 of approximately \$1,150,000. Management has concluded that it is at least reasonably possible that the amount of the loss will change in the near term.

Estimate of proceeds from sales of properties - As part of the Four Organization Agreement discussed in Note 11, the Foundation is entitled to the proceeds (less costs to sell) from sales of several properties held by Stichting Maharishi Global Financing Research (SMGFR). Proceeds from several properties were received prior to December 31, 2018, which are included in the contributions under the Four Organization Agreement on the statement of activities. Several of the properties were unsold at December 31, 2018, and several were under contract subsequent to year-end. Management has determined that the receipt of funds from those under contract is probable and has recorded a note receivable of \$645,000 for the estimated proceeds from the sales of these properties. Proceeds from the remaining properties are contingent on SMGFR listing and selling such properties, and management does not have an estimate on the amount of funds to be received. As such, no receivable is recorded for the contingent portion. Management has concluded that it is at least reasonably possible that the amounts to be received from SMGFR from sales of its properties will change in the near term.

Estimate of allowance on Notes Receivable - Under the Four Organization Agreement, the Foundation agreed to release Global Country for World Peace (GCWP) from its amounts owed to the Foundation (and all accrued interest) in exchange for consideration received, which included several properties. At December 31, 2018, one property had not yet been transferred to the Foundation. Under the terms of the agreement, the Foundation will not release GCWP from its obligations until the remaining property is received. As a result, the notes receivable from GCWP continue to be carried on the Statement of Financial Position at the full amount, however, management has recorded an allowance for uncollectible receivables of \$1,644,244, which represents the difference between the estimated value of the remaining property to be received and the total receivable from GCWP (including accrued interest). It is at least reasonably possible that the value of the consideration to be received will change in the near term.

BRAHMANANDA SARASWATI FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

Note 13 - Functional Expense Allocations

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on the estimates made by the Foundation's management. The Foundation allocates salaries based on employee time and effort to each function. Occupancy costs are allocated based on an overall allocation of salaries and benefits.

Note 14 - Supplemental Cash Flow Information

	<u>2018</u>	<u>2017</u>
Cash paid for interest	\$ 8,932	11,868
Noncash contributions under Four Organization Agreement	4,015,551	-
Noncash addition of property and equipment	3,259,900	-
Noncash satisfaction of notes receivable	4,434,244	-
Noncash addition on notes receivable	(645,000)	-