Combined Financial Statements

Yoga Alliance Registry d/b/a Yoga Alliance Foundation

YAplus d/b/a Yoga Alliance

For the Years Ended
December 31, 2017 and 2016

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yoga Alliance Registry d/b/a Yoga Alliance Foundation
YAplus d/b/a Yoga Alliance
Arlington, Virginia

We have audited the accompanying combined financial statements of the Yoga Alliance Registry d/b/a Yoga Alliance Foundation and YAplus d/b/a Yoga Alliance (collectively, the Organizations), which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of December 31, 2017 and 2016, and the combined changes in their net assets and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedule of Financial Position on page 18 and the Combining Schedule of Activities on page 19 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Gelman Rosenberg & Freedman

July 26, 2018

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 2,604,528	$ 886,316
Investments	5,526,769	4,818,771
Accounts receivable	12,187	16,355
Prepaid expenses	207,413	139,213
Total current assets	8,350,897	5,860,655
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of $3,330,099 in 2017 and $2,259,285 in 2016	1,487,902	1,858,536
OTHER ASSETS		
Investments, net of current portion	2,056,039	1,624,556
Security deposit	80,609	80,609
Total other assets	2,136,648	1,705,165
TOTAL ASSETS	**$ 11,975,447**	**$ 9,424,356**

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 421,955	$ 322,621
Accrued salaries and related benefits	106,596	64,148
Deferred revenue	2,371,593	1,560,416
Total current liabilities	2,900,144	1,947,185
LONG-TERM LIABILITIES		
Deferred rent liability	367,240	360,823
Deferred tenant improvement allowance	371,615	430,993
Total long-term liabilities	738,855	791,816
Total liabilities	3,638,999	2,739,001
NET ASSETS		
Unrestricted	8,336,448	6,685,355
TOTAL LIABILITIES AND NET ASSETS	**$ 11,975,447**	**$ 9,424,356**

See accompanying notes to combined financial statements.

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Unrestricted	
	2017	**2016**
UNRESTRICTED REVENUE AND SUPPORT		
Registered yoga teachers	$ 3,777,482	$ 3,609,441
Registered yoga schools	1,310,429	937,534
Membership	3,637,482	2,169,437
YACEP designation fee revenue	125,924	13,127
Partnership income	149,377	198,449
Contributions	69,957	69,883
Investment income	601,244	212,781
Other revenue	-	18,164
Loss on disposal of fixed assets	-	(132,913)
Total unrestricted revenue and support	9,671,895	7,095,903
EXPENSES		
Program Services	6,596,873	5,073,948
Management and General	1,423,929	1,020,124
Total expenses	8,020,802	6,094,072
Changes in unrestricted net assets	1,651,093	1,001,831
Unrestricted net assets at beginning of year	6,685,355	5,683,524
UNRESTRICTED NET ASSETS AT END OF YEAR	**$ 8,336,448**	**$ 6,685,355**

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 1,982,416	$ 660,805	$ 2,643,221
Employee benefits	284,764	94,921	379,685
Payroll taxes	148,762	49,587	198,349
Fees for services:			
Legal	545,734	136,433	682,167
Accounting	273,002	91,001	364,003
Other	1,009,249	53,118	1,062,367
Advertising and promotion	198,146	-	198,146
Office expenses:			
Bank charges and merchant fees	236,760	12,461	249,221
Supplies	23,651	7,884	31,535
Equipment rental	8,882	2,961	11,843
Postage and shipping	12,965	4,322	17,287
Printing costs	13,314	701	14,015
Telephone	30,112	1,585	31,697
Dues and subscriptions	506	9,619	10,125
Other office expenses	23,821	7,941	31,762
Information technology	360,176	18,957	379,133
Occupancy	235,841	74,476	310,317
Repairs and maintenance	4,813	1,604	6,417
Travel, meetings and conventions	120,685	120,685	241,370
Conferences, conventions and meetings	66,000	-	66,000
Depreciation and amortization	1,017,274	53,541	1,070,815
Insurance	-	21,327	21,327
TOTAL	**$ 6,596,873**	**$ 1,423,929**	**$ 8,020,802**

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 1,246,099	$ 415,366	$ 1,661,465
Employee benefits	205,919	68,640	274,559
Payroll taxes	98,899	32,966	131,865
Fees for services:			
Legal	735,523	183,880	919,403
Accounting	169,182	56,394	225,576
Other	138,575	7,293	145,868
Advertising and promotion	178,638	-	178,638
Office expenses:			
Bank charges and merchant fees	195,931	10,312	206,243
Supplies	13,819	4,606	18,425
Equipment rental	10,809	3,603	14,412
Postage and shipping	13,749	4,583	18,332
Printing costs	27,261	1,435	28,696
Telephone	45,521	2,395	47,916
Dues and subscriptions	283	5,376	5,659
Other office expenses	10,781	3,626	14,407
Information technology	396,146	20,850	416,996
Occupancy	296,002	93,474	389,476
Repairs and maintenance	3,874	1,291	5,165
Travel, meetings and conventions	35,823	35,824	71,647
Conferences, conventions and meetings	277,017	-	277,017
Depreciation and amortization	974,097	51,269	1,025,366
Insurance	-	16,941	16,941
TOTAL	**$ 5,073,948**	**$ 1,020,124**	**$ 6,094,072**

See accompanying notes to combined financial statements.

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,651,093	$ 1,001,831
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,070,815	1,025,366
Loss on disposal of fixed assets	-	132,913
Unrealized gains on investments	(435,389)	(173,760)
Realized losses on sales of investments	13,724	5,397
(Increase) decrease in:		
Accounts receivable	4,168	151,486
Prepaid expenses	(68,200)	(44,804)
Security deposit	-	10,332
Increase (decrease) in:		
Accounts payable and accrued expenses	99,334	126,382
Accrued salaries and related benefits	42,448	11,397
Accrued pension payable	-	(39,269)
Deferred revenue	811,177	775,187
Deferred rent liability	6,417	247,203
Deferred tenant improvement allowance	(59,378)	(69,247)
Net cash provided by operating activities	3,136,209	3,160,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(700,181)	(972,642)
Purchases of investments	(2,007,377)	(4,513,738)
Proceeds from sales of investments	1,289,561	1,905,532
Net cash used by investing activities	(1,417,997)	(3,580,848)
Net increase (decrease) in cash and cash equivalents	1,718,212	(420,434)
Cash and cash equivalents at beginning of year	886,316	1,306,750
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 2,604,528**	**$ 886,316**

See accompanying notes to combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

The Yoga Alliance Registry d/b/a Yoga Alliance Foundation (the Foundation), a not-for-profit corporation, formerly Yoga Alliance®, was incorporated in May 1987 under the laws of the State of Washington. The Foundation's mission is to support yoga teachers and the diversity and integrity of yoga. The Foundation registers yoga teachers who demonstrate qualifications that meet minimum teaching standards established by the Foundation's founding members. The Foundation also registers yoga schools whose teacher programs address those standards, assuring graduates are well-qualified to teach the practicing public.

YAplus d/b/a the Yoga Alliance (the Alliance), is a not-for-profit corporation incorporated in December 2011 under the laws of the State of Virginia. The Alliance is the professional society for yoga teachers, schools and students. The Foundation's annual registration fees include a membership assessment, and yoga teachers registering with the Foundation automatically become members of the Alliance.

Basis of presentation -

The accompanying combined financial statements reflect the activity of the Foundation and the Alliance (collectively, the Organizations). The financial statements have been combined because the Organizations are under common control. All intercompany transactions have been eliminated in combination.

The combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds that are held with investment institutions.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, the Organizations maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, unrealized and realized gains and losses, and investment fees are included in investment income in the accompanying Combined Statements of Activities and Changes in Net Assets.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost. Furniture, equipment and the website are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Combined Statements of Activities and Changes in Net Assets, to its current fair value.

Deferred revenue -

Deferred revenue consists of deferred membership revenue and deferred Yoga Alliance Continuing Education Provider (YACEP) designation fees. The Organizations recognize membership revenue and YACEP designation fee revenue on a pro rata basis over the membership period.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not a private foundation. The Alliance is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements.

Uncertain tax positions -

For the years ended December 31, 2017 and 2016, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

Unrestricted net assets include revenue received without donor-imposed restrictions. These net assets are available for the operations of the Organizations.

The Organizations did not have any temporarily or permanently restricted activity during the years ended December 31, 2017 and 2016.

Registration fees -

The Organizations collect registration fees from yoga teachers and yoga schools for the administration of their credentialing system. These fees are recognized as revenue when received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Advertising -

The Organizations expense advertising costs as incurred. Included in program services in the Combined Statements of Activities and Changes in Net Assets are advertising costs, which totaled $198,146 and $178,638 during the years ended December 31, 2017 and 2016, respectively.

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurement -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

The Organizations account for a significant portion of their financial instruments at fair value or consider fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements (not yet adopted) -

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported in the Combined Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organizations's combined financial statements, it is not expected to alter the Organizations's reported combined financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Organizations have not yet selected a transition method and are currently evaluating the effect that the updated standard will have on their combined financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organizations plan to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2017 and 2016:

	Fair Value	
	2017	**2016**
Money market funds	$ 60,456	$ 319,748
Corporate and municipal bonds	235,555	236,606
Mutual funds	4,041,926	3,219,918
Certificates of deposit	2,342,651	1,840,145
Exchange-traded funds	902,220	826,910
TOTAL INVESTMENTS	**$ 7,582,808**	**$ 6,443,327**

2. INVESTMENTS (Continued)

Included in investment income during the years ended December 31, 2017 and 2016 are the following:

	2017	2016
Interest and dividends	$ 206,799	$ 44,418
Unrealized gains on investments	435,389	173,760
Realized losses on sales of investments	(13,724)	(5,397)
Investment fees	(27,220)	-
TOTAL INVESTMENT INCOME	**$ 601,244**	**$ 212,781**

3. INTERCOMPANY LOAN AGREEMENTS AND SALE OF REGISTRY

On May 11, 2012, the Alliance entered into a ten-year revolving loan agreement with the Foundation, providing draws by the Alliance of up to a maximum amount of $1,000,000. Borrowings made by the Alliance accrue interest of 3.25%, and interest-only payments are due to the Foundation on a quarterly basis. The total outstanding balance of the loan is due at the end of the ten-year term. As of December 31, 2017 and 2016, the total amount of the revolving loan aggregated $1,008,237 and $1,008,035, respectively, and includes principal plus interest.

In addition, on August 11, 2014, the Alliance entered into a cost sharing agreement with the Foundation which allows the Alliance to share use of the Foundation's office space, furniture, equipment and services. Under this agreement, the Alliance is required to reimburse the Foundation for its share of these costs on a quarterly basis, plus interest of 3%. As of December 31, 2017 and 2016, the total unreimbursed amount of the cost sharing agreement aggregated $120,793 and $1,190,611, respectively, and includes principal plus interest.

On December 31, 2017, the Foundation and the Alliance entered into a License agreement which included the sale of Foundation assets (related to the Yoga Alliance Registry, "the Registry") to the Alliance. The purpose of the sale was to properly categorize the Registry assets with the entity responsible for membership organization activities.

The sales transaction included all assets and liabilities of the Foundation, excluding cash, investments, receivables, certain prepaid expenses, and certain accounts payable and accrued expenses. In connection with the sales transaction, the Alliance is required to repay the fair value of the Foundation's economic interest in the Registry (in the amount of $5,668,782) over a ten-year period plus interest accrued at a fixed annual rate of 4.5%. The sale price was allocated to the acquired assets, and an intangible asset was realized by the Alliance (which will be amortized over a 10-year period beginning in 2018). As the entire transaction is between the two entities, all components of the sale (intangible asset, loan receivable, loan payable, and net assets for the gain on sale of asset) have been eliminated in combination.

As of December 31, 2017, the outstanding balance on the sale agreement aggregated $5,668,782, which includes principal only; interest has not been accrued as of December 31, 2017, as the sales transaction was effective December 31, 2017.

3. INTERCOMPANY LOAN AGREEMENTS AND SALE OF REGISTRY (Continued)

The following is a schedule of the required principal payments required under the terms of the loan agreements. This schedule is exclusive of the cost sharing agreement since that agreement is based on actual costs incurred, and thus, the amounts vary across reporting periods.

Year Ending December 31,	Revolving Loan	Sale Agreement	Total
2018	$ 8,237	$ 566,878	$ 575,115
2019	-	566,878	566,878
2020	-	566,878	566,878
2021	-	566,878	566,878
2022	-	566,878	566,878
Thereafter	1,000,000	2,834,392	3,834,392
	$ 1,008,237	$ 5,668,782	$ 6,677,019

As of December 31, 2017 and 2016, the total amount of loan principal and interest due the Foundation (including the balance due under the cost sharing agreement) aggregated $6,797,812 and $2,198,646, respectively; these amounts have been eliminated in combination in the accompanying Combined Statements of Financial Position.

4. FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Furniture and equipment	$ 271,412	$ 249,317
Website	4,106,735	3,428,650
Leasehold improvements	439,854	439,854
Total fixed assets	4,818,001	4,117,821
Less: Accumulated depreciation and amortization	(3,330,099)	(2,259,285)
FIXED ASSETS, NET	**$ 1,487,902**	**$ 1,858,536**

Depreciation and amortization expense totaled $1,070,815 and $1,025,366 during the years ended December 31, 2017 and 2016, respectively.

5. LEASE COMMITMENTS

On April 27, 2015, the Foundation entered into a lease agreement for office space in Arlington, Virginia. The lease commenced on September 1, 2015 and will terminate on November 30, 2026. The current monthly base rental requirement is $27,610, and will continue to increase at a rate of 2.75% per annum.

5. LEASE COMMITMENTS (Continued)

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the accompanying Combined Statements of Financial Position. The deferred rent liability accounts for a 13-month rent allowance given at the beginning of the lease and aggregated $367,240 and $360,823 as of December 31, 2017 and 2016, respectively.

Accounting principles generally accepted in the United States of America also require that leasehold improvements (assets furnished by the landlord) be recorded as assets (leasehold improvements) and a corresponding liability (deferred tenant improvement allowance) in the accompanying Combined Statements of Financial Position. Included in this lease was a tenant improvement allowance, which totaled $510,164, and aggregated $371,615 and $430,993 as of December 31, 2017 and 2016, respectively.

Additionally, during the years ended December 31, 2017 and 2016, the Organizations were under an operating lease for a copier machine, which will terminate in February 2019, and an operating lease for a postage machine, which terminated in April 2016. Monthly payments under these leases totaled $341 and $285, respectively.

The following is a schedule of the future minimum lease payments under all operating leases:

Year Ending December 31,	Office	Equipment	Total
2018	$ 333,597	$ 4,092	$ 337,689
2019	342,768	682	343,450
2020	352,148	-	352,148
2021	361,842	-	361,842
2022	371,808	-	371,808
2023 and Thereafter	1,557,157	-	1,557,157
	$ 3,319,320	$ 4,774	$ 3,324,094

Rent expense totaled $285,990 and $369,117 during the years ended December 31, 2017 and 2016, respectively, and are included in occupancy expense in the accompanying Combined Statements of Functional Expenses.

6. RETIREMENT PLAN

The Organizations adopted a 401(k) Profit Sharing Plan (the Plan). The Plan covers all employees who are 18 years and older. As required by the Plan document, the Organizations make matching contributions up to 4% of compensation of the covered participants during the Plan year.

The Plan may also provide a discretionary contribution of compensation based on the classification a participant falls under. The Organizations did not make a discretionary contribution during the years ended December 31, 2017 and 2016. Contributions totaled $62,726 and $47,380 during the years ended December 31, 2017 and 2016, respectively, and are included in employee benefits in the accompanying Combined Statements of Functional Expenses.

7. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

There have been no changes in the methodologies used as of December 31, 2017 and 2016.

Following is a description of the valuation methodology used for investments measured at fair value:

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.

- *Corporate and municipal bonds* - Valued at the closing price reported in the active market in which the individual securities are traded.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organizations are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organizations are deemed to be actively traded.

- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

- *Exchange-traded funds* - Valued at the closing price reported in the active market in which the individual securities are traded.

7. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 60,456	$ -	$ -	$ 60,456
Corporate and municipal bonds	235,555	-	-	235,555
Mutual funds	4,041,926	-	-	4,041,926
Certificates of deposit	-	2,342,651	-	2,342,651
Exchange-traded funds	902,220	-	-	902,220
TOTAL	**$ 5,240,157**	**$ 2,342,651**	**$ -**	**$ 7,582,808**

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 319,748	$ -	$ -	$ 319,748
Corporate and municipal bonds	236,606	-	-	236,606
Mutual funds	3,219,918	-	-	3,219,918
Certificates of deposit	-	1,840,145	-	1,840,145
Exchange-traded funds	826,910	-	-	826,910
TOTAL	**$ 4,603,182**	**$ 1,840,145**	**$ -**	**$ 6,443,327**

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2017 and 2016. Transfers between levels are recorded at the end of the reporting period, if applicable.

8. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through July 26, 2018, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 2,049,238	$ 555,290	$ -	$ 2,604,528
Investments	5,526,769	-	-	5,526,769
Accounts receivable	220	11,967	-	12,187
Prepaid expenses	9,267	198,146	-	207,413
Loan receivable from Yoga Alliance	695,908	-	(695,908)	-
Total current assets	8,281,402	765,403	(695,908)	8,350,897
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of $3,330,099	-	1,487,902	-	1,487,902
OTHER ASSETS				
Investments, net of current portion	2,056,039	-	-	2,056,039
Intangible asset	-	4,812,989	(4,812,989)	-
Security deposit	-	80,609	-	80,609
Loan receivable from Yoga Alliance	6,101,904	-	(6,101,904)	-
Total other assets	8,157,943	4,893,598	(10,914,893)	2,136,648
TOTAL ASSETS	**$ 16,439,345**	**$ 7,146,903**	**$ (11,610,801)**	**$ 11,975,447**

LIABILITIES AND NET ASSETS

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 303,956	$ 117,999	$ -	$ 421,955
Accrued salaries and related benefits	22,436	84,160	-	106,596
Deferred revenue	-	2,371,593	-	2,371,593
Loan payable to Yoga Alliance Foundation	-	695,908	(695,908)	-
Total current liabilities	326,392	3,269,660	(695,908)	2,900,144
LONG-TERM LIABILITIES				
Deferred rent liability	-	367,240	-	367,240
Deferred tenant improvement allowance	-	371,615	-	371,615
Loan payable to Yoga Alliance Foundation	-	6,101,904	(6,101,904)	-
Total long-term liabilities	-	6,840,759	(6,101,904)	738,855
Total liabilities	326,392	10,110,419	(6,797,812)	3,638,999
NET ASSETS				
Unrestricted (deficit)	16,112,953	(2,963,516)	(4,812,989)	8,336,448
TOTAL LIABILITIES AND NET ASSETS	**$ 16,439,345**	**$ 7,146,903**	**$ (11,610,801)**	**$ 11,975,447**

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
UNRESTRICTED REVENUE AND SUPPORT				
Registered yoga teachers	$ 3,777,482	$ -	$ -	$ 3,777,482
Registered yoga schools	1,310,429	-	-	1,310,429
Membership	-	3,637,482	-	3,637,482
YACEP designation fee revenue	-	125,924	-	125,924
Partnership income	-	149,377	-	149,377
Contributions	69,957	-	-	69,957
Investment income	601,244	-	-	601,244
Interest income from related party	51,510	-	(51,510)	-
Total unrestricted revenue and support	5,810,622	3,912,783	(51,510)	9,671,895
EXPENSES				
Program Services	4,073,978	2,522,895	-	6,596,873
Management and General	779,339	696,100	(51,510)	1,423,929
Total expenses	4,853,317	3,218,995	(51,510)	8,020,802
Change in unrestricted net assets before other item	957,305	693,788	-	1,651,093
OTHER ITEM				
Gain on sale of Registry assets	4,812,989	-	(4,812,989)	-
Change in unrestricted net assets	5,770,294	693,788	(4,812,989)	1,651,093
Unrestricted net assets (deficit) at beginning of year	10,342,659	(3,657,304)	-	6,685,355
UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR	**$ 16,112,953**	**$ (2,963,516)**	**$ (4,812,989)**	**$ 8,336,448**