COMBINED FINANCIAL STATEMENTS

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION

YAPLUS D/B/A YOGA ALLIANCE

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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 combined 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, 2018 and 2017, 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.

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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 20 and the Combining Schedule of Activities and Change in Net Assets on page 21 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 24, 2019

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

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 5,151,839	$ 2,604,528
Investments	5,833,114	5,526,769
Accounts receivable	17,259	12,187
Prepaid expenses	130,655	207,413
Total current assets	11,132,867	8,350,897
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of $3,864,554 and $3,330,099 in 2018 and 2017, respectively	1,314,231	1,487,902
OTHER ASSETS		
Investments, net of current portion	1,578,877	2,056,039
Security deposit	53,740	80,609
Trademarks	124,563	-
Total other assets	1,757,180	2,136,648
TOTAL ASSETS	**$ 14,204,278**	**$ 11,975,447**

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 302,782	$ 421,955
Accrued salaries and related benefits	147,134	106,596
Deferred revenue	4,135,442	2,371,593
Deferred rent liability	11,694	-
Deferred tenant improvement allowance	52,932	-
Total current liabilities	4,649,984	2,900,144
LONG-TERM LIABILITIES		
Deferred rent liability, net of current portion	353,024	367,240
Deferred tenant improvement allowance, net of current portion	260,582	371,615
Total long-term liabilities	613,606	738,855
Total liabilities	5,263,590	3,638,999
NET ASSETS		
Without donor restrictions	8,940,688	8,336,448
TOTAL LIABILITIES AND NET ASSETS	**$ 14,204,278**	**$ 11,975,447**

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, 2018 AND 2017

	Without Donor Restrictions	
	2018	2017
REVENUE AND SUPPORT		
Membership	$ 9,189,113	$ 8,725,393
YACEP designation fees	232,652	125,924
Partnership income	132,538	149,377
Contributions	73,540	69,957
Investment (loss) income, net	(168,161)	601,244
Total revenue and support	9,459,682	9,671,895
EXPENSES		
Program Services	7,181,142	6,596,873
Management and General	1,674,300	1,423,929
Total expenses	8,855,442	8,020,802
Changes in net assets	604,240	1,651,093
Net assets without donor restrictions at beginning of year	8,336,448	6,685,355
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	**$ 8,940,688**	**$ 8,336,448**

See accompanying notes to combined financial statements.

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, 2018

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 2,679,652	$ 893,217	$ 3,572,869
Employee benefits	486,513	162,171	648,684
Payroll taxes	208,928	69,643	278,571
Fees for services:			
Legal	309,765	77,441	387,206
Accounting	111,608	37,203	148,811
Other	1,205,116	63,426	1,268,542
Advertising and promotion	301,329	-	301,329
Office expenses:			
Bank charges and merchant fees	287,775	15,146	302,921
Supplies	26,538	8,846	35,384
Equipment rental	10,908	3,636	14,544
Postage and shipping	11,945	3,982	15,927
Printing costs	15,970	841	16,811
Telephone	37,918	1,996	39,914
Dues and subscriptions	826	15,700	16,526
Other office expenses	14,593	4,863	19,456
Information technology	488,849	25,729	514,578
Occupancy	223,361	70,536	293,897
Repairs and maintenance	24,592	8,197	32,789
Travel	158,255	158,255	316,510
Conferences, conventions and meetings	68,969	-	68,969
Depreciation and amortization	507,732	26,723	534,455
Insurance	-	26,749	26,749
TOTAL	**$ 7,181,142**	**$ 1,674,300**	**$ 8,855,442**

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	303,253	100,759	404,012
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	217,352	68,638	285,990
Repairs and maintenance	4,813	1,604	6,417
Travel	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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 604,240	$ 1,651,093
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	534,455	1,070,815
Unrealized losses (gains) on investments	333,599	(435,389)
Realized (gains) losses on sales of investments	(7,551)	13,724
(Increase) decrease in:		
Accounts receivable	(5,072)	4,168
Prepaid expenses	76,758	(68,200)
Security deposit	26,869	-
(Decrease) increase in:		
Accounts payable and accrued expenses	(119,173)	99,334
Accrued salaries and related benefits	40,538	42,448
Deferred revenue	1,763,849	811,177
Deferred rent liability	(2,522)	6,417
Deferred tenant improvement allowance	(58,101)	(59,378)
Net cash provided by operating activities	3,187,889	3,136,209
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(360,784)	(700,181)
Purchases of investments	(354,051)	(2,007,377)
Proceeds from sales of investments	198,820	1,289,561
Costs incurred for trademark	(124,563)	-
Net cash used by investing activities	(640,578)	(1,417,997)
Net increase in cash and cash equivalents	2,547,311	1,718,212
Cash and cash equivalents at beginning of year	2,604,528	886,316
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 5,151,839**	**$ 2,604,528**

See accompanying notes to combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

For the global yoga community, YAplus d/b/a Yoga Alliance® (the Alliance), is an independent, not-for-profit member-based organization that advances the development and livelihood of yoga professionals and advocates for safety in and the quality of yoga teaching and practicing. Founded in 2011 as a 501(c)(6) in the State of Virginia, the Alliance represents the yoga teaching profession nationally and internationally, serving as an advocate before legislative bodies and partnering with public interest groups, and other professional organizations. In addition, the Alliance credentials and registers yoga schools whose teacher training programs utilize the Alliance's standards for teaching yoga. Once an individual graduates from an Alliance Registered Yoga School (RYS®), they can join the Alliance as a Registered Yoga Teacher (RYT®). All schools and teachers registered with the Alliance are members of the organization. Additionally, the Alliance partners with other organizations to provide a variety of member benefits. In 2016, the Alliance introduced the Yoga Alliance Continuing Education Provider® (YACEP®) designation, a directory for yoga teachers who provide continuing education courses.

The Yoga Alliance Registry d/b/a Yoga Alliance Foundation™ (the Foundation), a 501(c)(3) 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 the diversity and accessibility of yoga.

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 accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and Subtopic FASB Accounting Standards Codification (ASC) 958-810, *Consolidation*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, and unrealized and realized gains and losses, net of any investment fees, are included in investment income, net in the accompanying Combined Statements of Activities and Changes in Net Assetss.

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

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.

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 seven 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.

Trademark -

The Organizations' trademarks were acquired during the year ended December 31, 2018. In accordance with FASB ASC 350, *Goodwill and Other Intangible Assets*, the Organizations' unamortized trademarks are subject to at least an annual assessment for impairment by applying a fair-value-based test. There was no impairment noted for the year ended December 31, 2018. The fair value of the Organizations' trademarks were $124,563 as of December 31, 2018.

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.

Uncertain tax positions -

For the years ended December 31, 2018 and 2017, 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 -

Net assets without donor restrictions are comprised of revenue and support available for use in general operations as they are not subject to donor or grant restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated, and are reflected within net assets without donor restrictions.

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

Membership revenue -

The Organizations recognize membership revenue on a pro rata basis over the membership period. Also included in membership revenue are registration fees from yoga teachers and yoga schools for the administration of their credentialing system. These fees are recognized as revenue when received. Any amounts received but not yet earned are recognized as deferred revenue in the Combined Statements of Financial Position.

YACEP designation fees revenue -

The Organizations recognized Yoga Alliance Continuing Education Provider (YACEP) designation fees revenue on a pro rata basis over the membership period. Any amounts received but not yet earned are recognized as deferred revenue in the Combined Statements of Financial Position.

Partnership income -

Partnership income consists of revenue from individuals and organizations (many of which are suppliers) that are involved in the yoga industry and wish to collaborate with the Organizations. The amounts of these revenues vary depending on size and structure of each individual and organization.

Contributions -

Contributions received without and with donor restrictions are recorded as revenue in the year notification is received from the donor, and are recognized as revenue without donor restrictions to the extent of actual expenses incurred in compliance with donor-imposed restrictions and satisfaction of time restrictions (as applicable). Such revenue in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying combined financial statements. There were no contributions received or remaining during and as of December 31, 2018 or 2017.

Advertising -

The Organizations expense advertising costs as incurred, which totaled $26,974 and $18,122 during the years ended December 31, 2018 and 2017, respectively, and are included in advertising and promotion under program services in the accompanying Combined Statements of Functional Expenses.

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.

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

Functional allocation of expenses (continued) -

Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributable to a specific functional area are reported as direct expenses, and expenses that benefit more than one function are allocated on a basis of estimated time and effort, or other reasonable basis.

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.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above. Net assets previously classified as unrestricted net assets as of December 31, 2017 in the amount of $8,336,448 are now classified as net assets without donor restrictions.

New accounting pronouncements (not yet adopted) -

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 fiscal years beginning after December 15, 2018. Early adoption is permitted.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution.

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

New accounting pronouncements (not yet adopted) (continued) -

The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The ASU is effective for fiscal years beginning after December 15, 2018.

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 fiscal 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, 2018 and 2017:

	Fair Value	
	2018	**2017**
Money market funds	$ 15,916	$ 60,456
Corporate and municipal bonds	200,427	235,555
Mutual funds	3,791,239	4,041,926
Certificates of deposit	2,432,554	2,342,651
Exchange-traded funds	971,855	902,220
TOTAL INVESTMENTS	**$ 7,411,991**	**$ 7,582,808**

Included in investment (loss) income, net during the years ended December 31, 2018 and 2017 are the following:

	2018	**2017**
Interest and dividends	$ 187,905	$ 206,799
Unrealized (losses) gains on investments	(333,599)	435,389
Realized gains (losses) on sales of investments	7,551	(13,724)
Investment fees	(30,018)	(27,220)
TOTAL INVESTMENT (LOSS) INCOME, NET	**$ (168,161)**	**$ 601,244**

3. INTERCOMPANY LOAN AGREEMENTS AND SALE OF THE REGISTRY

Revolving Loan Agreement

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. During the year ended December 31, 2018, the Alliance remitted principal and interest payments on a monthly basis to ensure the obligation will be satisfied by term expiration. As of December 31, 2018 and 2017, the total balance of the revolving loan aggregated $804,554 and $1,008,237, respectively, and includes principal plus interest.

Cost Sharing Agreement

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 (at minimum), plus interest of 3%. However, pursuant to the license agreement and sale of the Registry (see details below), which took place on December 31, 2017, the Alliance acquired the Foundation's Registry and the noted assets and liabilities.

As a result, starting in 2018, the Foundation now reimburses the Alliance for use of the Alliance's office space, furniture, equipment and services. During the year ended December 31, 2018, shared costs amounted to $160,625, which were recorded as revenue to the Alliance and expense to the Foundation, and as of December 31, 2018, the total unreimbursed amount of shared costs that the Foundation owed to the Alliance was $93,210. No interest was recognized on these transactions during the year ended December 31, 2018 as the Foundation made payments as costs were incurred, and thus, did not carry a balance throughout the year. During the year ended December 31, 2017, revenue was received by the Alliance and reimbursed to the Foundation on a monthly basis, net of shared costs, plus 3% interest, and as of December 31, 2017, the total unreimbursed amount of shared costs that the Alliance owed to the Foundation was $120,793, and included principal plus interest.

License Agreement and Sale of the Registry

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 first year being interest only, and principal with interest payments commencing in year two. The sale price was allocated to the acquired assets, and an intangible asset was realized by the Alliance (which is being 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 and related amortization, loan receivable, loan payable, and net assets for the gain on sale of asset) have been eliminated in combination. As of December 31, 2018 and 2017, the outstanding balance on the sale agreement aggregated $5,668,782, which includes principal only.

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

License Agreement and Sale of the Registry (continued)

As of December 31, 2018, all monthly interest that accrued was paid, and as of December 31, 2017, interest had not yet accrued as the sales transaction took effect on the last day of the year.

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	License Agreement	Total
2019	$ -	$ 522,762	$ 522,762
2020	-	546,778	546,778
2021	-	571,896	571,896
2022	804,554	598,169	1,402,723
2023	-	625,649	625,649
Thereafter	-	2,803,528	2,803,528
	$ 804,554	**$ 5,668,782**	**$ 6,473,336**

As of and for the years ended December 31, 2018 and 2017, the amounts of these intercompany transactions and balances have been eliminated in combination in the accompanying combined financial statements.

4. FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Furniture and equipment	$ 386,396	$ 271,412
Website	4,255,293	4,106,735
Leasehold improvements	537,096	439,854
Total fixed assets	5,178,785	4,818,001
Less: Accumulated depreciation and amortization	(3,864,554)	(3,330,099)
FIXED ASSETS, NET	**$ 1,314,231**	**$ 1,487,902**

Depreciation and amortization expense totaled $534,455 and $1,070,815 during the years ended December 31, 2018 and 2017, respectively.

5. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY)

Financial assets available to meet cash needs for general expenditure within one year of the date of the Combined Statements of Financial Position were comprised of the following at December 31, 2018 and 2017:

	2018	2017
Financial assets as of December 31:		
Cash and cash equivalents	$ 5,151,839	$ 2,604,528
Investments	7,411,991	7,582,808
Accounts receivable	17,259	12,187
Total financial assets	12,581,089	10,199,523
Less those unavailable for general expenditure:		
Investments, noncurrent portion, comprised of bonds and certificates of deposit with maturity dates after the subsequent fiscal year	(1,578,877)	(2,056,039)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR	**$ 11,002,212**	**$ 8,143,484**

The Organizations have a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018 and 2017, the Organizations had financial assets equal to approximately 15 and 12 months of operating expenses, respectively.

6. 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 base rental amount began at $27,610, and increases at a rate of 2.75% per annum.

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 $364,718 and $367,240 as of December 31, 2018 and 2017, 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 $313,514 and $371,615 as of December 31, 2018 and 2017, respectively.

Additionally, during the years ended December 31, 2018 and 2017, the Organizations were under an operating lease for a copier machine, which will terminate in February 2019. Monthly payments under this lease total $341.

6. LEASE COMMITMENTS (Continued)

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

Year Ending December 31,	Office	Equipment	Total
2019	$ 342,768	$ 682	$ 343,450
2020	352,148	-	352,148
2021	361,842	-	361,842
2022	371,808	-	371,808
2023	382,067	-	382,067
2023 and Thereafter	1,175,090	-	1,175,090
	$ 2,985,723	$ 682	$ 2,986,405

Occupancy expense totaled $293,897 and $285,990 during the years ended December 31, 2018 and 2017, respectively.

7. 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, 2018 and 2017. Contributions totaled $100,072 and $62,726 during the years ended December 31, 2018 and 2017, respectively, and are included in employee benefits in the accompanying Combined Statements of Functional Expenses.

8. 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.

8. FAIR VALUE MEASUREMENT (Continued)

There have been no changes in the methodologies used as of December 31, 2018 and 2017. 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.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 15,916	$ -	$ -	$ 15,916
Corporate and municipal bonds	200,427	-	-	200,427
Mutual funds	3,791,239	-	-	3,791,239
Certificates of deposit	-	2,432,554	-	2,432,554
Exchange-traded funds	971,855	-	-	971,855
TOTAL	**$ 4,979,437**	**$ 2,432,554**	**$ -**	**$ 7,411,991**

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**

8. FAIR VALUE MEASUREMENT (Continued)

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2018 and 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

9. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through July 24, 2019, 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, 2018

ASSETS

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 1,866,364	$ 3,285,475	$ -	$ 5,151,839
Investments	5,833,114	-	-	5,833,114
Accounts receivable	-	17,259	-	17,259
Prepaid expenses	2,413	128,242	-	130,655
Loan receivable from related party	548,290	67,682	(615,972)	-
Total current assets	8,250,181	3,498,658	(615,972)	11,132,867
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of $3,864,554	-	1,314,231	-	1,314,231
OTHER ASSETS				
Investments, net of current portion	1,578,877	-	-	1,578,877
Security deposit	-	53,740	-	53,740
Intangible asset	-	4,331,700	(4,331,700)	-
Trademarks	49,629	74,934	-	124,563
Loan receivable from related party	5,950,574	-	(5,950,574)	-
Total other assets	7,579,080	4,460,374	(10,282,274)	1,757,180
TOTAL ASSETS	**$ 15,829,261**	**$ 9,273,263**	**$ (10,898,246)**	**$ 14,204,278**

LIABILITIES AND NET ASSETS (DEFICIT)

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 50,000	$ 252,782	$ -	$ 302,782
Accrued salaries and related benefits	9,115	138,019	-	147,134
Deferred revenue	-	4,135,442	-	4,135,442
Loan payable to related party	67,682	548,290	(615,972)	-
Deferred rent liability	-	11,694	-	11,694
Deferred tenant improvement allowance	-	52,932	-	52,932
Total current liabilities	126,797	5,139,159	(615,972)	4,649,984
LONG-TERM LIABILITIES				
Deferred rent liability, net of current portion	-	353,024	-	353,024
Deferred tenant improvement allowance, net of current portion	-	260,582	-	260,582
Loan payable to related party	-	5,950,574	(5,950,574)	-
Total long-term liabilities	-	6,564,180	(5,950,574)	613,606
Total liabilities	126,797	11,703,339	(6,566,546)	5,263,590
NET ASSETS (DEFICIT)				
Without donor restrictions	15,702,464	(2,430,076)	(4,331,700)	8,940,688
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	**$ 15,829,261**	**$ 9,273,263**	**$ (10,898,246)**	**$ 14,204,278**

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

COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
REVENUE AND SUPPORT				
Membership	$ -	$ 9,189,113	$ -	$ 9,189,113
YACEP designation fees	-	232,652	-	232,652
Partnership income	-	132,538	-	132,538
Contributions	373,540	-	(300,000)	73,540
Investment (loss) income, net	(168,971)	810	-	(168,161)
Interest income from related party	285,244	-	(285,244)	-
Cost share agreement income from related party	-	160,625	(160,625)	-
Licensing agreement income from related party	-	113,644	(113,644)	-
Total revenue and support	489,813	9,829,382	(859,513)	9,459,682
EXPENSES				
Program Services	516,610	7,421,757	(757,225)	7,181,142
Management and General	383,692	1,874,185	(583,577)	1,674,300
Total expenses	900,302	9,295,942	(1,340,802)	8,855,442
Change in net assets (deficit)	(410,489)	533,440	481,289	604,240
Net assets (deficit) without donor restrictions at beginning of year	16,112,953	(2,963,516)	(4,812,989)	8,336,448
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS AT END OF YEAR	**$ 15,702,464**	**$ (2,430,076)**	**$ (4,331,700)**	**$ 8,940,688**