

Tergar International
Minneapolis, Minnesota

Consolidated Financial Statements
Auditor's Report
For the Years Ended
December 31, 2017 and 2016



CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Tergar International
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Tergar International, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

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

Carpenter, Evert & Associates, L.L.C.
Certified Public Accountants

Minneapolis, Minnesota
August 27, 2018

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

	2017		2016		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Support and Revenue:					
Contributions	\$ 642,329	\$ 74,970	\$ 717,299	\$ 502,758	\$ 527,758
Program Service Fees	1,144,760	-	1,144,760	1,467,601	1,467,601
Store:					
Sales	29,462	-	29,462	64,253	64,253
Less: Cost of Goods Sold	-	-	-	59,816	59,816
Gross Profit	29,462	-	29,462	4,437	4,437
Other Income	6,606	-	6,606	11,332	11,332
Net Assets Released from Restrictions:					
Satisfaction of Time Restrictions	10,000	(10,000)	-	-	-
Satisfaction of Program Restrictions	79,970	(79,970)	-	40,000	(40,000)
Total Support and Revenue	1,913,127	(15,000)	1,898,127	2,026,128	2,011,128
Expense:					
Program Services:	1,609,788	-	1,609,788	1,359,023	1,359,023
Support Services:					
Management and General	347,659	-	347,659	384,889	384,889
Fundraising	5,170	-	5,170	6,008	6,008
Total Support Services	352,829	-	352,829	390,897	390,897
Total Expense	1,962,617	-	1,962,617	1,749,920	1,749,920
Change in Net Assets Before Inventory Write Down	(49,490)	(15,000)	(64,490)	276,208	261,208
Inventory Write Down	(10,984)	-	(10,984)	(52,047)	(52,047)
Change in Net Assets	(60,474)	(15,000)	(75,474)	224,161	209,161
Net Assets - Beginning of Year	572,137	25,000	597,137	347,976	387,976
Net Assets - End of Year	\$ 511,663	\$ 10,000	\$ 521,663	\$ 572,137	\$ 597,137

The accompanying Notes to Financial Statements are an integral part of these statements.

TERGAR INTERNATIONAL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017				2016	
	Program Services	Management & General	Fundraising	Support Services	Total All Services	Total All Services
Salaries	\$ 357,769	\$ 155,018	\$ 3,939	\$ 158,957	\$ 516,726	\$ 487,820
Payroll Taxes	29,920	12,964	329	13,293	43,213	41,114
Employee Benefits	81,948	35,507	902	36,409	118,357	86,721
Total Personnel Costs	469,637	203,489	5,170	208,659	678,296	615,655
Teaching Program Expense	623,184	-	-	-	623,184	793,947
Professional Services	220,910	26,357	-	26,357	247,267	103,748
Occupancy	79,829	53,219	-	53,219	133,048	81,108
Grant Expense	103,281	-	-	-	103,281	-
Bank Fees	39,719	9,930	-	9,930	49,649	41,441
Small Equipment and Software	-	26,900	-	26,900	26,900	17,263
Advertising	26,751	-	-	-	26,751	1,928
Meetings and Entertainment	16,366	-	-	-	16,366	1,171
Insurance	8,229	5,486	-	5,486	13,715	15,188
Office Supplies	-	7,690	-	7,690	7,690	9,169
Miscellaneous	1,479	986	-	986	2,465	14,148
Travel	1,228	819	-	819	2,047	8,017
Telephone	-	-	-	-	-	5,305
Management Fees	-	-	-	-	-	3,075
Depreciation	19,175	12,783	-	12,783	31,958	38,757
Total Expense	\$ 1,609,788	\$ 347,659	\$ 5,170	\$ 352,829	\$ 1,962,617	\$ 1,749,920

The accompanying Notes to Financial Statements
are an integral part of this statement.

TERGAR INTERNATIONAL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Support Services				Total All Services
	Program Services	Management & General	Fundraising	Support Services	
Salaries	\$ 337,545	\$ 146,346	\$ 3,929	\$ 150,275	\$ 487,820
Payroll Taxes	28,461	12,334	319	12,653	41,114
Employee Benefits	60,032	26,016	673	26,689	86,721
Total Personnel Costs	426,038	184,696	4,921	189,617	615,655
Teaching Program Expense	793,947	-	-	-	793,947
Professional Services	-	102,661	1,087	103,748	103,748
Occupancy	48,665	32,443	-	32,443	81,108
Bank Fees	33,153	8,288	-	8,288	41,441
Small Equipment and Software	4,120	13,143	-	13,143	17,263
Advertising	1,928	-	-	-	1,928
Meetings and Entertainment	1,171	-	-	-	1,171
Insurance	9,113	6,075	-	6,075	15,188
Office Supplies	-	9,169	-	9,169	9,169
Miscellaneous	8,489	5,659	-	5,659	14,148
Travel	4,810	3,207	-	3,207	8,017
Telephone	3,183	2,122	-	2,122	5,305
Management Fees	-	3,075	-	3,075	3,075
Depreciation	24,406	14,351	-	14,351	38,757
Total Expense	\$ 1,359,023	\$ 384,889	\$ 6,008	\$ 390,897	\$ 1,749,920

The accompanying Notes to Financial Statements
are an integral part of this statement.

TERGAR INTERNATIONAL
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 514,476	\$ 468,157
Accounts Receivable	1,172	3,068
Grants Receivable	10,000	10,000
Prepaid Expense	80,999	58,209
Inventory	-	10,984
Total Current Assets	<u>606,647</u>	<u>550,418</u>
Grants Receivable- Non Current	-	10,000
Property and Equipment - Net	<u>46,090</u>	<u>71,708</u>
 TOTAL ASSETS	 <u>\$ 652,737</u>	 <u>\$ 632,126</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 54,180	\$ 16,159
Other Accrued Expense	5,273	8,419
Deferred Revenue	<u>71,621</u>	<u>10,411</u>
Total Current Liabilities	131,074	34,989
Net Assets:		
Unrestricted	511,663	572,137
Temporarily Restricted	<u>10,000</u>	<u>25,000</u>
Total Net Assets	<u>521,663</u>	<u>597,137</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 652,737</u>	 <u>\$ 632,126</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

TERGAR INTERNATIONAL
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

<u>Increase (Decrease) in Cash</u>	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (75,474)	\$ 209,161
Total Adjustments	<u>128,133</u>	<u>42,629</u>
Net Cash Provided by Operating Activities	52,659	251,790
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(6,340)	(44,208)
Sale of Investments	-	-
Net Cash (Used) by Investing Activities	<u>(6,340)</u>	<u>(44,208)</u>
Cash Flows from Financing Activities:		
None	-	-
Net Increase in Cash	<u>46,319</u>	<u>207,582</u>
Cash - Beginning of Year	<u>468,157</u>	<u>260,575</u>
Cash - End of Year	<u>\$ 514,476</u>	<u>\$ 468,157</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of Tergar International (the Organization) include the accounts of Tergar International, A Joyful Mind, Tergar Madison, and Tergar Oregon. All material inter-organizational transactions have been eliminated.

Organizational Purpose

The mission of the Organization is to promote, aid, and advance the teachings and practice of meditation and contemplation that arise from the world's great spiritual traditions through lectures, seminars, publications, retreats, and other forms of media. For centuries, the practice of meditation has been used by countless individuals to transform suffering into joy and confusion into wisdom. The Organization's meditation and study programs are designed to facilitate this transformation. Under the guidance of Yongey Mingyur Rinpoche, a remarkable teacher celebrated for his ability to make the practice of meditation accessible to people of all backgrounds, the Organization fulfills its mission to make the ancient practice of meditation accessible to the modern world by providing a comprehensive course of meditation training and study, with programs for Buddhists and non-Buddhists alike.

The Organization pursues its mission through the following activities:

Meditation Centers and Groups – offer weekly meditation and study sessions, as well as regular seminars on meditation and the core principles of the Buddhist path.

Joy of Living – is where the Tergar journey begins and is a series of three seminars that present practical advice on how meditation can be used to calm the mind, open the heart and develop insight.

Path of Liberation – builds on the foundation teachings of the *Joy of Living*, presenting a series of meditative practices designed to strip away the causes of suffering and uncover the radiant awareness that underlies all experiences.

Exploring Buddhism – is a multi-year study program that covers the core teachings of Buddhism and addresses the full spectrum of Buddhist thought and practice.

Tergar International, formerly known as the Rime Foundation, was incorporated in 2004, and is classified by the Internal Revenue Service (IRC) as a tax-exempt charitable organization under Section 501(c)(3) of the IRC.

A Joyful Mind LLC was incorporated in 2012 to operate a documentary film project featuring Yongey Mingyur Rinpoche and his teachings. It is wholly owned by the Organization and is treated as "disregarded entity" for income tax purposes.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (continued)

Tergar Madison LLC and Tergar Oregon LLC were both incorporated in 2013 so that they could operate more effectively within their respective communities that they are involved in. Both Tergar Madison and Tergar Oregon are also wholly owned by the Organization and are treated as a “disregarded entity” for income tax purposes.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Inventory

Inventory consists of meditation materials used in various programs. Inventory is valued at the lower of cost, determined on a first-in first-out basis (FIFO) or market.

As a result of the Organization closing the online store, carrying amounts for those inventories have been reduced by \$10,984 and \$54,067 as of December 31, 2017 and 2016 respectively due to quantities in excess of current requirements. Management believes that this reduces inventory to its lower of cost or market, and no additional loss will be incurred upon disposition of the excess quantities.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

All major expenditures for property and equipment above \$1,000 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Deferred Revenue

Deferred revenue is recorded when program revenue is received but not yet earned. The program revenue is recognized as a liability until the year that they become earned begins.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990). The Organization's tax returns for the years ending December 31, 2014 and later remain subject to examination by the Internal Revenue Service.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$26,751 and \$1,928 for the years ended December 31, 2017 and 2016, respectively.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of cash, money market accounts, and all highly liquid securities purchased with an original maturity of 3 months or less. Cash and cash equivalents are stated at cost which approximates fair value.

Investments

The Organization carries its investments at market value.

Shipping and Handling Costs

Freight billed to customers is considered sales revenue and the related freight costs as a cost of sales.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through August 27, 2018, which is the date financial statements were available to be issued.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area as well as around the world. The amounts due for services provided are from individuals.

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

At December 31, 2017 and 2016, the Organization held funds at a local financial institution in excess of federally insured limits.

3. Property and Equipment

The Organization owned the following as of:

	<u>December 31,</u>		Estimated Useful Lives
	<u>2017</u>	<u>2016</u>	
Furniture and Equipment	\$ 220,560	\$ 234,966	5-10 years
Leasehold Improvements	<u>22,055</u>	<u>22,055</u>	3 years
	242,615	257,021	
Less Accumulated Depreciation	<u>196,525</u>	<u>185,313</u>	
	<u>\$ 46,090</u>	<u>\$ 71,708</u>	

Depreciation expense of \$31,958 and \$38,757 was recorded for the years ended December 31, 2017 and 2016, respectively.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following as of:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Future Operations	\$ 10,000	\$ 20,000
Scholarships	<u>-</u>	<u>5,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 10,000</u>	<u>\$ 25,000</u>

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

5. Deferred Revenue

Deferred Revenue consisted of the following as of:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Program Events	<u>\$ 71,621</u>	<u>\$ 10,411</u>

6. Leased Facilities

Rental commitments under noncancelable leases for office space in effect as of December 31, 2017, the date of these financial statements were available to be issued, total \$379,199. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2018	\$ 98,347
2019	76,643
2020	49,010
2021	49,010
2022	49,010
2023 and Thereafter	<u>57,179</u>
Total	<u>\$ 379,199</u>

The rental expense was \$106,886 and \$81,108 for the years ended December 31, 2017 and 2016, respectively.

7. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities are as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Depreciation	\$ 31,958	\$ 38,757
Increases (Decreases) in Current Liabilities:		
Accounts Payable	38,021	7,887
Other Accrued Expense	(3,146)	4,342
Deferred Revenue	61,210	(26,729)
Decreases (Increases) in Current Assets:		
Accounts Receivable	1,896	7,872
Grants Receivable	10,000	(20,000)
Prepaid Expense	(22,790)	(33,610)
Inventory	<u>10,984</u>	<u>64,110</u>
Total Adjustments	<u>\$ 128,133</u>	<u>\$ 42,629</u>