

Tergar International
Minneapolis, Minnesota

Consolidated Financial Statements
Auditor's Report
For the Years Ended
December 31, 2018 and 2017



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, 2018 and 2017, 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, 2018 and 2017, 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, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
November 8, 2019

EXHIBIT A

TERGAR INTERNATIONAL
 CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | 2018 | | 2017 | |
|--|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions |
| Support and Revenue: | | | | |
| Contributions | \$ 855,229 | \$ 90,002 | \$ 642,329 | \$ 74,970 |
| Program Service Fees | 1,452,494 | - | 1,144,760 | - |
| Sales | 27,350 | - | 29,462 | - |
| Other Income | 3,323 | - | 6,606 | - |
| Net Assets Released from Restrictions: | | | | |
| Satisfaction of Time Restrictions | 10,000 | (10,000) | 10,000 | (10,000) |
| Satisfaction of Program Restrictions | 35,000 | (35,000) | 79,970 | (79,970) |
| Total Support and Revenue | 2,383,396 | 45,002 | 1,913,127 | (15,000) |
| | | | | |
| | | Total | | Total |
| | | \$ 945,231 | | \$ 717,299 |
| | | 1,452,494 | | 1,144,760 |
| | | 27,350 | | 29,462 |
| | | 3,323 | | 6,606 |
| | | - | | - |
| | | (10,000) | | (10,000) |
| | | (35,000) | | (79,970) |
| | | 45,002 | | (15,000) |
| | | 2,428,398 | | 1,898,127 |
| | | | | |
| Expense: | | | | |
| Program Services: | 1,707,000 | - | 1,609,788 | - |
| Support Services: | | | | |
| Management and General | 342,231 | - | 347,659 | - |
| Fundraising | 5,169 | - | 5,170 | - |
| Total Support Services | 347,400 | - | 352,829 | - |
| Total Expense | 2,054,400 | - | 1,962,617 | - |
| Change in Net Assets Before Inventory Write Down | 328,996 | 45,002 | (49,490) | (15,000) |
| Inventory Write Down | - | - | (10,984) | - |
| Change in Net Assets | 328,996 | 45,002 | (60,474) | (15,000) |
| Net Assets - Beginning of Year | 511,663 | 10,000 | 572,137 | 25,000 |
| Net Assets - End of Year | \$ 840,659 | \$ 55,002 | \$ 511,663 | \$ 10,000 |

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, 2018 WITH COMPARATIVE TOTALS FOR 2017

| | 2018 | | | | 2017 | |
|------------------------------|------------------|----------------------|------------------|------------|--------------------|--------------------|
| | Program Services | Management & General | Support Services | | Total All Services | Total All Services |
| Salaries | \$ 356,924 | \$ 154,656 | \$ 3,939 | \$ 158,595 | \$ 515,519 | \$ 516,726 |
| Payroll Taxes | 30,425 | 13,183 | 336 | 13,519 | 43,944 | 43,213 |
| Employee Benefits | 80,994 | 35,094 | 894 | 35,988 | 116,982 | 118,357 |
| Total Personnel Costs | 468,343 | 202,933 | 5,169 | 208,102 | 676,445 | 678,296 |
| Teaching Program Expense | 606,163 | - | - | - | 606,163 | 623,184 |
| Professional Services | 396,394 | 25,440 | - | 25,440 | 421,834 | 247,267 |
| Occupancy | 83,910 | 55,940 | - | 55,940 | 139,850 | 133,048 |
| Bank Fees | 44,102 | 11,025 | - | 11,025 | 55,127 | 49,649 |
| Meetings and Entertainment | 45,854 | - | - | - | 45,854 | 16,366 |
| Advertising | 28,627 | - | - | - | 28,627 | 26,751 |
| Small Equipment and Software | - | 23,051 | - | 23,051 | 23,051 | 26,900 |
| Insurance | 6,962 | 4,642 | - | 4,642 | 11,604 | 13,715 |
| Miscellaneous | 4,896 | 3,264 | - | 3,264 | 8,160 | 2,465 |
| Grant Expense | 7,110 | - | - | - | 7,110 | 103,281 |
| Office Supplies | - | 6,176 | - | 6,176 | 6,176 | 7,690 |
| Travel | 1,608 | 1,072 | - | 1,072 | 2,680 | 2,047 |
| Depreciation | 13,031 | 8,688 | - | 8,688 | 21,719 | 31,958 |
| Total Expense | \$ 1,707,000 | \$ 342,231 | \$ 5,169 | \$ 347,400 | \$ 2,054,400 | \$ 1,962,617 |

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, 2017

| | Support Services | | | | | Total All Services |
|------------------------------|---------------------|-------------------------|-------------|---------------------|------------------------------|--------------------------|
| | Program Services | Management & General | Fundraising | Support Services | Total Support Services | |
| Salaries | \$ 357,769 | \$ 155,018 | \$ 3,939 | \$ 158,957 | \$ 516,726 | |
| Payroll Taxes | 29,920 | 12,964 | 329 | 13,293 | 43,213 | |
| Employee Benefits | 81,948 | 35,507 | 902 | 36,409 | 118,357 | |
| Total Personnel Costs | 469,637 | 203,489 | 5,170 | 208,659 | 678,296 | |
| Teaching Program Expense | 623,184 | - | - | - | 623,184 | |
| Professional Services | 220,910 | 26,357 | - | 26,357 | 247,267 | |
| Occupancy | 79,829 | 53,219 | - | 53,219 | 133,048 | |
| Bank Fees | 39,719 | 9,930 | - | 9,930 | 49,649 | |
| Meetings and Entertainment | 16,366 | - | - | - | 16,366 | |
| Advertising | 26,751 | - | - | - | 26,751 | |
| Small Equipment and Software | - | 26,900 | - | 26,900 | 26,900 | |
| Insurance | 8,229 | 5,486 | - | 5,486 | 13,715 | |
| Miscellaneous | 1,479 | 986 | - | 986 | 2,465 | |
| Grant Expense | 103,281 | - | - | - | 103,281 | |
| Office Supplies | - | 7,690 | - | 7,690 | 7,690 | |
| Travel | 1,228 | 819 | - | 819 | 2,047 | |
| Depreciation | 19,175 | 12,783 | - | 12,783 | 31,958 | |
| Total Expense | \$ 1,609,788 | \$ 347,659 | \$ 5,170 | \$ 352,829 | \$ 1,962,617 | |

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

TERGAR INTERNATIONAL
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

| <u>ASSETS</u> | <u>2018</u> | <u>2017</u> |
|---------------------------------------|-----------------------|-----------------------|
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 728,432 | \$ 514,476 |
| Certificates of Deposit | 70,145 | - |
| Accounts Receivable | 4,479 | 1,172 |
| Grants Receivable | 15,006 | 10,000 |
| Prepaid Expense | 24,827 | 80,999 |
| Total Current Assets | <u>842,889</u> | <u>606,647</u> |
| Property and Equipment - Net | <u>145,758</u> | <u>46,090</u> |
| TOTAL ASSETS | <u>\$ 988,647</u> | <u>\$ 652,737</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 5,238 | \$ 54,180 |
| Other Accrued Expense | 19,956 | 5,273 |
| Deferred Revenue | 67,792 | 71,621 |
| Total Current Liabilities | <u>92,986</u> | <u>131,074</u> |
| Net Assets: | | |
| Without Donor Restrictions: | | |
| Board Designated | 210,000 | - |
| Undesignated | 630,659 | 511,663 |
| Total Without Donor Restrictions | <u>840,659</u> | <u>511,663</u> |
| With Donor Restrictions | 55,002 | 10,000 |
| Total Net Assets | <u>895,661</u> | <u>521,663</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 988,647</u> | <u>\$ 652,737</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, 2018 AND 2017

| <u>Increase (Decrease) in Cash</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 373,998 | \$ (75,474) |
| Total Adjustments | <u>(38,655)</u> | <u>128,133</u> |
| Net Cash Provided by Operating Activities | 335,343 | 52,659 |
| Cash Flows from Investing Activities: | | |
| Purchase of Property and Equipment | (121,387) | (6,340) |
| Cash Flows from Financing Activities: | | |
| None | - | - |
| Net Increase in Cash | <u>213,956</u> | <u>46,319</u> |
| Cash and Cash Equivalents - Beginning of Year | <u>514,476</u> | <u>468,157</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 728,432</u> | <u>\$ 514,476</u> |

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

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 AND 2017

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:

Net Assets without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – 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 consisted of meditation materials used in various programs. As a result of the Organization closing the online store, carrying amounts for those inventories have been reduced by \$-0- and \$10,984 as of December 31, 2018 and 2017 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, 2018 AND 2017

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 net assets with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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).

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.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$28,627 and \$26,751 for the years ended December 31, 2018 and 2017, 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 November 8, 2019, which is the date financial statements were available to be issued.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended December 31, 2018 and 2017, as required.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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> | | <u>Estimated Useful Lives</u> |
|-------------------------------|---------------------|------------------|-----------------------------------|
| | <u>2018</u> | <u>2017</u> | |
| Furniture and Equipment | \$ 318,515 | \$ 220,560 | 5-10 years |
| Leasehold Improvements | <u>23,428</u> | <u>22,055</u> | 3 years |
| | 341,943 | 242,615 | |
| Less Accumulated Depreciation | <u>196,185</u> | <u>196,525</u> | |
| | <u>\$ 145,758</u> | <u>\$ 46,090</u> | |

Depreciation expense of \$21,719 and \$31,958 was recorded for the years ended December 31, 2018 and 2017, respectively.

4. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following as of:

| | <u>December 31,</u> | |
|--|---------------------|------------------|
| | <u>2018</u> | <u>2017</u> |
| App Development | \$ 55,002 | \$ - |
| Future Operations | <u>-</u> | <u>10,000</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 55,002</u> | <u>\$ 10,000</u> |

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. Deferred Revenue

Deferred Revenue consisted of the following as of:

| | December 31, | |
|----------------|--------------|-----------|
| | 2018 | 2017 |
| Program Events | \$ 67,792 | \$ 71,621 |

6. Liquidity and Availability

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

| | |
|--|------------|
| Financial Assets: | |
| Cash and Cash Equivalents | \$ 798,577 |
| Current Portion of Grants and Contributions Receivable | 15,006 |
| Accounts Receivable | 4,479 |
| Total Financial Assets | 818,062 |
| Less assets not available to be used for general expenditures within one year: | |
| Net Assets With Donor Restrictions | 55,002 |
| Board Designated as Reserve | 210,000 |
| Net Assets With Restrictions to be met within a year | (55,002) |
| Total Assets not available to be used within one year | 210,000 |
| Financial assets available for general expenditures within one year: | \$ 608,062 |

The Organization maintains a board-designated reserve of \$210,000 that is not considered available for use within one year. Although the Organization does not intend to spend from this board-designated reserve, these amounts could be made available if necessary.

As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

7. Leased Facilities

Rental commitments under noncancelable leases for office space in effect as of December 31, 2018 total \$190,307. The future annual rental commitments are as follows:

| <u>Due in the Year Ending December 31,</u> | |
|--|-------------------|
| 2019 | \$ 30,145 |
| 2020 | 38,284 |
| 2021 | 39,428 |
| 2022 | 40,612 |
| 2023 | <u>41,838</u> |
| Total | <u>\$ 190,307</u> |

The rental expense was \$107,975 and \$106,886 for the years ended December 31, 2018 and 2017, respectively.

8. Cash Flow Operating Adjustments

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

| | <u>December 31,</u> | |
|---|---------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Depreciation | \$ 21,719 | \$ 31,958 |
| Increases (Decreases) in Current Liabilities: | | |
| Accounts Payable | (48,942) | 38,021 |
| Other Accrued Expense | 14,683 | (3,146) |
| Deferred Revenue | (3,829) | 61,210 |
| Decreases (Increases) in Current Assets: | | |
| Certificates of Deposit | (70,145) | - |
| Accounts Receivable | (3,307) | 1,896 |
| Grants Receivable | (5,006) | 10,000 |
| Prepaid Expense | 56,172 | (22,790) |
| Inventory | - | <u>10,984</u> |
| Total Adjustments | <u>\$ (38,655)</u> | <u>\$ 128,133</u> |