

Tergar International
Minneapolis, Minnesota

Consolidated Financial Statements
Auditor's Report
For the Years Ended
December 31, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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

TERGAR INTERNATIONAL
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Support and Revenue:				
Contributions	\$ 699,744	\$ 120,554	\$ 820,298	\$ 90,002
Program Service Fees	1,897,163	-	1,897,163	-
Sales	756	-	756	-
Other Income	9,809	-	9,809	-
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	-	-	-	10,000
Satisfaction of Program Restrictions	125,556	(125,556)	-	(35,000)
Total Support and Revenue	2,733,028	(5,002)	2,728,026	45,002
Expense:				
Program Services:	2,046,656	-	2,046,656	1,707,000
Support Services:				
Management and General Fundraising	425,963	-	425,963	342,231
Total Support Services	35,286	-	35,286	5,169
Total Expense	461,249	-	461,249	347,400
Change in Net Assets	2,507,905	-	2,507,905	2,054,400
	225,123	(5,002)	220,121	328,996
Net Assets - Beginning of Year	840,659	55,002	895,661	511,663
Net Assets - End of Year	\$ 1,065,782	\$ 50,000	\$ 1,115,782	\$ 840,659
				\$ 55,002
				\$ 895,661

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, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019				2018	
	Support Services				Total All Services	
	Program Services	Management & General	Fundraising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 376,793	\$ 161,483	\$ 27,639	\$ 189,122	\$ 565,915	\$ 515,519
Payroll Taxes	30,466	13,057	2,235	15,292	45,758	43,944
Employee Benefits	73,784	31,622	5,412	37,034	110,818	116,982
Total Personnel Costs	481,043	206,162	35,286	241,448	722,491	676,445
Teaching Program Expense	774,601	-	-	-	774,601	606,163
Professional Services	366,138	79,285	-	79,285	445,423	421,834
Occupancy	93,267	62,178	-	62,178	155,445	139,850
Meetings and Entertainment	56,885	22,011	-	22,011	78,896	45,854
Bank Fees	54,844	13,711	-	13,711	68,555	55,127
Program Development Expense	61,461	-	-	-	61,461	-
Grant Expense	60,000	-	-	-	60,000	7,110
Advertising	50,271	-	-	-	50,271	28,627
Insurance	7,870	5,247	-	5,247	13,117	11,604
Miscellaneous	4,403	2,935	-	2,935	7,338	8,160
Travel	4,390	2,927	-	2,927	7,317	2,680
Small Equipment and Software	-	6,054	-	6,054	6,054	23,051
Office Supplies	-	4,464	-	4,464	4,464	6,176
Depreciation	31,483	20,989	-	20,989	52,472	21,719
Total Expense	\$ 2,046,656	\$ 425,963	\$ 35,286	\$ 461,249	\$ 2,507,905	\$ 2,054,400

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, 2018

	Program Services	Support Services			Total All Services
		Management & General	Fundraising	Support Services	
Salaries	\$ 356,924	\$ 154,656	\$ 3,939	\$ 158,595	\$ 515,519
Payroll Taxes	30,425	13,183	336	13,519	43,944
Employee Benefits	80,994	35,094	894	35,988	116,982
Total Personnel Costs	468,343	202,933	5,169	208,102	676,445
Teaching Program Expense	606,163	-	-	-	606,163
Professional Services	396,394	25,440	-	25,440	421,834
Occupancy	83,910	55,940	-	55,940	139,850
Meetings and Entertainment	45,854	-	-	-	45,854
Bank Fees	44,102	11,025	-	11,025	55,127
Grant Expense	7,110	-	-	-	7,110
Advertising	28,627	-	-	-	28,627
Insurance	6,962	4,642	-	4,642	11,604
Miscellaneous	4,896	3,264	-	3,264	8,160
Travel	1,608	1,072	-	1,072	2,680
Small Equipment and Software	-	23,051	-	23,051	23,051
Office Supplies	-	6,176	-	6,176	6,176
Depreciation	13,031	8,688	-	8,688	21,719
Total Expense	\$ 1,707,000	\$ 342,231	\$ 5,169	\$ 347,400	\$ 2,054,400

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

TERGAR INTERNATIONAL
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 487,794	\$ 728,432
Certificates of Deposit	212,693	70,145
Accounts Receivable	23,402	4,479
Grants Receivable	50,000	15,006
Prepaid Expense	129,202	24,827
Total Current Assets	<u>903,091</u>	<u>842,889</u>
Property and Equipment - Net	<u>302,667</u>	<u>145,758</u>
TOTAL ASSETS	<u>\$ 1,205,758</u>	<u>\$ 988,647</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 7,283	\$ 5,238
Other Accrued Expense	25,357	19,956
Deferred Revenue	57,336	67,792
Total Current Liabilities	<u>89,976</u>	<u>92,986</u>
Net Assets:		
Without Donor Restrictions:		
Board Designated	210,000	210,000
Undesignated	855,782	630,659
Total Without Donor Restrictions	<u>1,065,782</u>	<u>840,659</u>
With Donor Restrictions	<u>50,000</u>	<u>55,002</u>
Total Net Assets	<u>1,115,782</u>	<u>895,661</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,205,758</u>	<u>\$ 988,647</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, 2019 AND 2018

<u>Increase (Decrease) in Cash</u>	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 220,121	\$ 373,998
Total Adjustments	<u>(108,830)</u>	<u>31,490</u>
Net Cash Provided (Used) by Operating Activities	111,291	405,488
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(209,381)	(121,387)
Purchase of Certificates of Deposit	<u>(142,548)</u>	<u>(70,145)</u>
Net Cash (Used) by Investing Activities	(351,929)	(191,532)
Cash Flows from Financing Activities:		
None	-	-
Net Increase (Decrease) in Cash	<u>(240,638)</u>	<u>213,956</u>
Cash and Cash Equivalents - Beginning of Year	<u>728,432</u>	<u>514,476</u>
Cash and Cash Equivalents - End of Year	<u>\$ 487,794</u>	<u>\$ 728,432</u>

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

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 AND 2018

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.

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.

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.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

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.

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.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$50,271 and \$28,627 for the years ended December 31, 2019 and 2018, respectively.

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.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

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.

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 18, 2020, which is the date financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary closing of organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, the Organization expects this matter to potentially have negative impact on its operating results, but reasonable estimates cannot be made at this time.

New Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

The Organization has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Both ASU have been applied retrospectively for the periods ended December 31, 2019 and 2018, as required.

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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>2019</u>	<u>2018</u>	
Furniture and Equipment	\$ 435,129	\$ 318,515	5-10 years
Leasehold Improvements	<u>102,039</u>	<u>23,428</u>	Term of Lease
	537,168	341,943	
Less Accumulated Depreciation	<u>234,501</u>	<u>196,185</u>	
	<u>\$ 302,667</u>	<u>\$ 145,758</u>	

Depreciation expense of \$52,472 and \$21,719 was recorded for the years ended December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Joy of Living Program Expansion	\$ 50,000	\$ -
App Development	-	<u>55,002</u>
Total Net Assets with Donor Restrictions	<u>\$ 50,000</u>	<u>\$ 55,002</u>

5. Deferred Revenue

Deferred Revenue consisted of the following as of:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Program Events	<u>\$ 57,336</u>	<u>\$ 67,792</u>

TERGAR INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

6. Related Party Transaction

The Organization paid one of its board of directors and the spouse for professional services rendered during the year. The total professional services expense recorded for the two individuals were \$122,295 and \$52,944 for the years ended December 31, 2019 and 2018, respectively.

7. Board Designated Net Assets

The Board of Directors has made the following designation of net assets without donor restrictions as of:

	December 31,	
	2019	2018
Board Designated Operating Reserve	\$ 210,000	\$ 210,000

8. Liquidity and Availability

The following represents the Organization's financial assets as of:

	December 31,	
	2019	2018
Financial Assets:		
Cash and Cash Equivalents	\$ 487,794	\$ 728,432
Certificates of Deposit	212,693	70,145
Current Portion of Grants and Contributions Receivable	50,000	15,006
Accounts Receivable	23,402	4,479
Total Financial Assets	773,889	818,062
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions	50,000	55,002
Board Designated Operating Reserve	210,000	210,000
Net Assets With Restrictions to be met within a year	(50,000)	(55,002)
Total Assets not available to be used within one year	210,000	210,000
Financial assets available for general expenditures within one year:	\$ 563,889	\$ 608,062

The Organization maintains a board designated operating 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 operating 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, 2019 AND 2018

9. Leased Facilities

Rental commitments under noncancelable leases for office space in effect as of December 31, 2019 total \$296,748. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2020	\$ 107,480
2021	94,499
2022	45,923
2023	41,839
2024	<u>7,007</u>
Total	<u>\$ 296,748</u>

The rental expense was \$128,472 and \$107,975 for the years ended December 31, 2019 and 2018, respectively.

10. Cash Flow Operating Adjustments

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

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Depreciation	\$ 52,472	\$ 21,719
Increases (Decreases) in Current Liabilities:		
Accounts Payable	2,045	(48,942)
Other Accrued Expense	5,401	14,683
Deferred Revenue	(10,456)	(3,829)
Decreases (Increases) in Current Assets:		
Accounts Receivable	(18,923)	(3,307)
Grants Receivable	(34,994)	(5,006)
Prepaid Expense	<u>(104,375)</u>	<u>56,172</u>
Total Adjustments	<u>\$ (108,830)</u>	<u>\$ 31,490</u>