



Financial Statements

As of and for the years ended December 31, 2022 and 2021

Tergar International and Subsidiaries

Minneapolis, Minnesota



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Tergar International and subsidiaries

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Independent Auditors' Report

To the Board of Directors
Tergar International and subsidiaries
Minneapolis, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of Tergar International (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tergar International and subsidiaries as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of Tergar International and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tergar International and subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tergar International and subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tergar International and subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Altruic Advisors, CPAs

Certified Public Accountants

Minneapolis, Minnesota
November 15, 2023

Tergar International and subsidiaries

Consolidated Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,879,328	\$ 2,316,817
Pledges receivable	12,000	-
Accounts receivable	693	-
Loans receivable	15,802	-
Prepaid expenses	16,379	121,880
Total current assets	<u>2,924,202</u>	<u>2,438,697</u>
Property and Equipment, net	<u>716,790</u>	<u>544,368</u>
Other Assets		
Security deposits	7,801	7,801
Right-of-use assets, net	160,935	-
Trademark	17,689	-
Total other assets	<u>186,425</u>	<u>7,801</u>
Total assets	<u>\$ 3,827,417</u>	<u>\$ 2,990,866</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 427,016	\$ 170,747
Accrued payroll and expenses	28,448	28,965
Grants payable	3,385	5,459
Operating lease obligations, current portion	108,256	-
Deferred revenue	3,174	11,119
Total current liabilities	<u>570,279</u>	<u>216,290</u>
Long Term Liabilities		
Operating lease obligations, net of current portion	<u>54,981</u>	<u>-</u>
Total liabilities	<u>625,260</u>	<u>216,290</u>
Net Assets		
Without donor restrictions		
Undesignated	2,163,157	2,024,576
Board designated	1,027,000	750,000
Total without donor restrictions	<u>3,190,157</u>	<u>2,774,576</u>
With donor restrictions	<u>12,000</u>	<u>-</u>
Total net assets	<u>3,202,157</u>	<u>2,774,576</u>
Total liabilities and net assets	<u>\$ 3,827,417</u>	<u>\$ 2,990,866</u>

The accompanying Notes are an integral part of these financial statements

Tergar International and subsidiaries

Consolidated Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 1,715,594	\$ 12,000	\$ 1,727,594
Net assets released from restrictions			
Satisfaction of purpose restrictions	-	-	-
Total operating support	<u>1,715,594</u>	<u>12,000</u>	<u>1,727,594</u>
Operating Revenue			
Program fees	<u>2,984,161</u>	-	<u>2,984,161</u>
Total operating support and revenue	<u>4,699,755</u>	<u>12,000</u>	<u>4,711,755</u>
Operating Expenses			
Program services	3,187,144	-	3,187,144
Supporting services			
General and administrative	929,435	-	929,435
Fundraising	182,547	-	182,547
Total supporting services	<u>1,111,982</u>	-	<u>1,111,982</u>
Total operating expenses	<u>4,299,126</u>	-	<u>4,299,126</u>
Total operating support and revenue in excess of operating expenses	<u>400,629</u>	<u>12,000</u>	<u>412,629</u>
Other Changes			
Royalties	10,000	-	10,000
Miscellaneous income	1,843	-	1,843
Interest income	3,109	-	3,109
Total other changes	<u>14,952</u>	-	<u>14,952</u>
Change in Net Assets	415,581	12,000	427,581
Net Assets, Beginning of Year	<u>2,774,576</u>	-	<u>2,774,576</u>
Net Assets, End of Year	<u>\$ 3,190,157</u>	<u>\$ 12,000</u>	<u>\$ 3,202,157</u>

The accompanying Notes are an integral
part of these financial statements

Tergar International and subsidiaries

Consolidated Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 1,062,116	\$ 30,000	\$ 1,092,116
Net assets released from restrictions			
Satisfaction of purpose restrictions	73,000	(73,000)	-
Total operating support	<u>1,135,116</u>	<u>(43,000)</u>	<u>1,092,116</u>
Operating Revenue			
Program fees	<u>2,951,402</u>	<u>-</u>	<u>2,951,402</u>
Total operating support and revenue	<u>4,086,518</u>	<u>(43,000)</u>	<u>4,043,518</u>
Operating Expenses			
Program services	2,419,598	-	2,419,598
Supporting services			
General and administrative	578,639	-	578,639
Fundraising	147,185	-	147,185
Total supporting services	<u>725,824</u>	<u>-</u>	<u>725,824</u>
Total operating expenses	<u>3,145,422</u>	<u>-</u>	<u>3,145,422</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>941,096</u>	<u>(43,000)</u>	<u>898,096</u>
Other Changes			
Miscellaneous income	1,351	-	1,351
Interest income	335	-	335
Total other changes	<u>1,686</u>	<u>-</u>	<u>1,686</u>
Change in Net Assets	942,782	(43,000)	899,782
Net Assets, Beginning of Year	<u>1,831,794</u>	<u>43,000</u>	<u>1,874,794</u>
Net Assets, End of Year	<u>\$ 2,774,576</u>	<u>\$ -</u>	<u>\$ 2,774,576</u>

The accompanying Notes are an integral part of these financial statements

Tergar International and subsidiaries

Consolidated Statement of Functional Expenses

Year ended December 31, 2022

	Supporting Services			Total	Total Expenses
	Program Services	General and Administrative	Fundraising		
Salaries and wages	\$ 663,926	\$ 372,337	\$ 85,233	\$ 457,570	\$ 1,121,496
Employee benefits	97,985	54,951	12,579	67,530	165,515
Payroll taxes	55,743	31,261	7,156	38,417	94,160
Total personnel costs	<u>817,654</u>	<u>458,549</u>	<u>104,968</u>	<u>563,517</u>	<u>1,381,171</u>
Consulting fees	1,311,510	74,983	28,296	103,279	1,414,789
Program expenses	210,352	-	-	-	210,352
Grants awarded	202,915	-	-	-	202,915
Depreciation and amortization	157,304	35,235	-	35,235	192,539
Information technology	145,088	36,705	10,377	47,082	192,170
Occupancy	125,640	16,326	-	16,326	141,966
Professional fees	-	129,149	-	129,149	129,149
Travel	-	126,920	-	126,920	126,920
Bank and merchant fees	92,590	18,121	13,405	31,526	124,116
Advertising and promotions	92,969	1,801	-	1,801	94,770
Dues and fees	1,614	4,038	18,820	22,858	24,472
Office expenses and supplies	2,940	10,672	-	10,672	13,612
Conferences and meetings	9,143	2,323	758	3,081	12,224
Printing and postage	4,943	267	5,923	6,190	11,133
Insurance	-	8,907	-	8,907	8,907
Miscellaneous expense	3,362	5,439	-	5,439	8,801
Professional development	5,749	-	-	-	5,749
Subscriptions	3,371	-	-	-	3,371
Total expenses	<u>\$ 3,187,144</u>	<u>\$ 929,435</u>	<u>\$ 182,547</u>	<u>\$ 1,111,982</u>	<u>\$ 4,299,126</u>

The accompanying Notes are an integral part of these financial statements

Tergar International and subsidiaries

Consolidated Statement of Functional Expenses

Year ended December 31, 2021

	Supporting Services			Total	Total Expenses
	Program Services	General and Administrative	Fundraising		
Salaries and wages	\$ 502,210	\$ 281,081	\$ 64,239	\$ 345,320	\$ 847,530
Employee benefits	81,576	45,749	10,473	56,222	137,798
Payroll taxes	45,433	25,479	5,833	31,312	76,745
Total personnel costs	629,219	352,309	80,545	432,854	1,062,073
Consulting fees	865,695	49,680	18,889	68,569	934,264
Grants awarded	245,000	-	-	-	245,000
Information technology	124,511	31,411	8,829	40,240	164,751
Depreciation and amortization	120,153	23,990	-	23,990	144,143
Occupancy	126,075	16,384	-	16,384	142,459
Bank and merchant fees	90,076	17,568	13,035	30,603	120,679
Advertising and promotions	117,798	2,271	-	2,271	120,069
Subscriptions	55,619	-	-	-	55,619
Professional fees	-	51,483	-	51,483	51,483
Dues and fees	1,372	3,414	15,899	19,313	20,685
Program expenses	19,211	-	-	-	19,211
Miscellaneous expense	4,024	8,830	-	8,830	12,854
Printing and postage	5,605	301	6,725	7,026	12,631
Office expenses and supplies	2,599	9,429	-	9,429	12,028
Insurance	-	9,031	-	9,031	9,031
Professional development	8,473	-	-	-	8,473
Fundraising expenses	-	-	3,084	3,084	3,084
Repairs and maintenance	2,012	895	-	895	2,907
Conferences and meetings	2,156	547	179	726	2,882
Travel	-	1,096	-	1,096	1,096
Total expenses	\$ 2,419,598	\$ 578,639	\$ 147,185	\$ 725,824	\$ 3,145,422

The accompanying Notes are an integral part of these financial statements

Tergar International and subsidiaries

Consolidated Statements of Cash Flows

Increase in Cash and Cash Equivalents

Years ended December 31	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 427,581	\$ 899,782
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	192,539	144,143
Lease amortization	2,302	-
Increase (decrease) from changes in assets and liabilities		
Grants receivable	(12,000)	-
Accounts receivable	(693)	52,000
Loans receivable	(15,802)	
Prepaid expenses	105,501	(21,975)
Accounts payable and accrued expenses	256,269	9,469
Accrued payroll and expenses	(517)	(23,994)
Grants payable	(2,074)	5,253
Deferred revenue	(7,945)	10,454
Net cash provided by operating activities	<u>945,161</u>	<u>1,075,132</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(364,961)	(281,729)
Purchase of intangible asset	(17,689)	-
Net cash used by investing activities	<u>(382,650)</u>	<u>(281,729)</u>
Net Increase in Cash and Cash Equivalents	562,511	793,403
Cash and Cash Equivalents, Beginning of Year	<u>2,316,817</u>	<u>1,523,414</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,879,328</u>	<u>\$ 2,316,817</u>

The accompanying Notes are an integral
part of these financial statements

Tergar International and subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Operations. Tergar International was founded in 2004 and was incorporated under the laws of the State of Minnesota. Tergar International's mission 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. Tergar International'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, Tergar International fulfills its mission to make the ancient practice of meditation accessible to the modern world by providing comprehensive course of meditation training and study, with programs for Buddhist and non-Buddhist alike. Primary sources of support and revenue are from grants and contributions from interested parties and program fees.

Description of Consolidated Entities:

Tergar International is the sole member of three limited liability companies: A Joyful Mind, LLC, Tergar Madison, LLC, and Tergar Oregon, LLC, the activities of which are consolidated in the accompanying consolidated financial statements. For purposes of these consolidated financial statements, all four entities are collectively referred to as "the Organization".

A Joyful Mind, LLC ("A Joyful Mind") was organized as a limited liability company in 2012. A Joyful Mind was created to operate a documentary film project featuring Yongey Mingyur Rinpoche and his teachings. A Joyful Mind is wholly owned by Tergar International and is treated as a disregarded entity for income tax purposes.

Tergar Madison, LLC ("Tergar Madison") and Tergar Oregon, LLC ("Tergar Oregon") were both organized as limited liability companies in 2013 and created so that they could operate more effectively within their respective communities. Both Tergar Madison and Tergar Oregon are wholly owned by Tergar International and are treated as disregarded entities for income tax purposes.

Description of Program Services:

Joy of Living. 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. Path of Liberation builds on the foundational 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. 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 and subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Description of Supporting Services:

General and Administrative. Includes the functions necessary to provide support to the Organization's program activities. General and administrative activities include those that provide governance, oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising. Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Pledges Receivable. Pledges are recognized as support in the period the pledge is communicated to the Organization as assets or decrease of liabilities depending on the form of the benefits received. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management has determined that all pledges receivable are fully collectible at December 31, 2022 and 2021.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which are currently calculated at three to ten years for office equipment, furniture and fixtures, and leasehold improvements.

Tergar International and subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Intangible Assets. Intangible assets consist of the Organization's website, trademark, and personal device application. Definite-lived intangible assets are stated at cost if purchased, or at fair value, if donated. Indefinite-lived intangible assets, such as trademarks, are not amortized, but are tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The trademark must be renewed and usage confirmed between five and six years after registration, again at nine to ten years, and every ten years thereafter at minimal cost. The costs incurred to renew the trademarks will be expensed as incurred. The Organization also evaluates whether circumstances warrant a revision to the remaining estimated useful life of each intangible asset annually. The website is amortized using the straight-line method over the estimated useful life of the asset, which is 60 months. If the Organization were to determine that a change in the remaining estimated useful life of an intangible asset was necessary, then the remaining carrying amount of the intangible asset would be amortized prospectively over the revised remaining useful life.

Depreciation and amortization expense for the Organization's property, equipment and intangible assets was \$192,539 and \$144,143, for the years ended December 31, 2022 and 2021, respectively.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2022 and 2021.

Right-of-Use Assets and Leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long term lease obligations on the Organization's statements of financial position. ROU lease assets represent the Organization's right to use an underlying asset for the lease term and lease obligations represent the Organization's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization's lease does not provide an implicit rate, therefore the Organization uses a risk free borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Basis of Net Asset Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, receiving rents, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Tergar International and subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Basis of Net Asset Presentation (continued).

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

Revenue Recognition.

Revenues are from program fees and are recorded as the services are rendered. Prepaid amounts are recorded as deferred revenue liabilities when payments are received. As the services are rendered, revenue is then recorded. Program fees are the Organization's primary revenue stream that constitutes revenue from contracts with customers.

Auxiliary revenue may include other minor services and occasional sales of merchandise. The Organization generally satisfies its performance obligations upon immediate occurrence of the sale or service.

Transaction Price. The transaction price of a contract with a customer is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised services to the customer.

Contract Balances. The following table provides information about the Organization's contract liabilities from contracts with customers at December 31:

	<u>2022</u>	<u>2021</u>
Contract liabilities, beginning of year	\$ 11,119	\$ 665
Contract liabilities, end of year	\$ 3,174	\$ 11,119

Accounting Policies and Practical Expedients Elected. The Organization has elected to use the right to invoice practical expedient, which allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer. Therefore, the Organization will apply the invoice practical expedient to performance obligations satisfied over time. These performance obligations generally relate to revenue received for future events.

The Organization's contracts do not include significant financing components.

Contributions and Grants. Contributions and grants are recognized as support in the period received and as assets or decreases of liabilities depending on the form of the benefits received. Restricted contributions and grants are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized.

Tergar International and subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributed Services. The Organization records the fair value of contributed services in the consolidated financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by persons possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these consolidated financial statements as they do not meet the criteria for recognition.

Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$94,770 and \$120,069, respectively.

Income Taxes. Tergar International is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made. As A Joyful Mind, Tergar Madison, and Tergar Oregon are single-member LLCs, they are considered disregarded entities under current IRS regulations. Therefore, the activities of these three LLCs are combined with the activities of Tergar International in the annual Form 990 filing with the IRS.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the prior year consolidated financial statements have been reclassified to conform to the current year presentation without affecting net assets as of December 31, 2021.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through November 15, 2023, the date at which the consolidated financial statements were available for release.

Note 2 – New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), with the intended purpose to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows from leases.

Tergar International and subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Note 2 – New Accounting Pronouncement (continued)

During the year ended December 31, 2022, the Organization adopted the requirements of ASU 2016-02 and, as a result, adjusted the presentation of the financial statements accordingly, applying the changes under the effective date method. Under the effective date method, the application date shall be the beginning of the reporting period in which the Organization first applied ASU 2016-02, which was January 1, 2022. The Organization has elected the package of practical expedients permitted in ASC Topic 842 and, accordingly, accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. In addition, the Organization does allocate the consideration between lease and non-lease components. As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 (a) a lease liability of approximately \$267,304, which represents the present value of the remaining lease payments of approximately \$270,599, discounted using the federal risk free borrowing rate of 1.04% and .78% for the two lease agreements, and (b) a right-of-use asset of approximately \$267,304. This standard did not have a material impact on the Organization's consolidated statements of financial position or cash flows from operations and had no impact on the Organization's operating results. The most significant impact was the recognition of right-of-use assets and lease obligations for operating leases.

Note 3 – Right-of-Use Assets

Right-of-use assets consist of the following at December 31, 2022:

Right-of-use assets under operating leases (office space)	\$ 267,304
Less accumulated amortization	(106,369)
Net right-of-use assets	<u>\$ 160,935</u>

Annual amortization of the right-of-use assets for the year ended December 31, 2022 was \$106,369.

Note 4 – Property and Equipment

Property and equipment, including intangible assets, consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Website and personal device application	\$ 1,107,385	\$ 751,790
Leasehold improvements	102,039	102,039
Office equipment	53,322	43,957
Furniture and fixtures	25,820	25,820
	<u>1,288,566</u>	<u>923,606</u>
Less accumulated depreciation and amortization	(571,776)	(379,238)
Net property and equipment	<u>\$ 716,790</u>	<u>\$ 544,368</u>

Tergar International and subsidiaries

Notes to Consolidated Financial Statements

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Note 5 – Board Designated Net Assets

As of December 31, 2022 and 2021, respectively, the board of directors designated \$1,027,000 and \$750,000 as a reserve for future operations. It is the Organization's policy to reserve approximately three months of cash expenditures. These funds are internally imposed designations and are recorded as net assets without donor restrictions.

Note 6 – Net Assets With Donor Restrictions

The balances of net assets with donor restrictions for the year ended December 31, 2022 are as follows:

	<u>Jan 1, 2022</u> <u>Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Dec 31, 2022</u> <u>Balance</u>
Pledges and grants receivable	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 12,000</u>

The balances of net assets with donor restrictions for the year ended December 31, 2021 are as follows:

	<u>Jan 1, 2021</u> <u>Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Dec 31, 2021</u> <u>Balance</u>
Joy of Living Program Expansion	<u>\$ 18,000</u>	<u>\$ 30,000</u>	<u>\$ 48,000</u>	<u>\$ -</u>
App Development	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Ethics Program	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
	<u>\$ 43,000</u>	<u>\$ 30,000</u>	<u>\$ 73,000</u>	<u>\$ -</u>

Note 7 – Leases and Commitments

Operating lease obligations consist of the following at December 31, 2022:

Operating lease agreement for office space; monthly payment of \$5,410; 33-month lease term expiring September 2024	\$ 117,998
Operating lease agreement for office space; monthly payment of \$3,301.63; 36-month lease term expiring January 2024	45,239
Total, net of unamortized present value discount	163,237
Less current portion, net	<u>(108,256)</u>
Operating lease obligations, net of current portion, net of unamortized present value discount	<u>\$ 54,981</u>
Weighted average discount rate at December 31	0.97%
Weighted average remaining lease term at December 31	1.57

Tergar International and subsidiaries

Notes to Consolidated Financial Statements

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Note 7 – Leases and Commitments (continued)

Future annual lease payments required under operating leases are as follows at December 31, 2022:

Year ended	Lease obligations	Present value discount	Net of unamortized discount
December 31			
2023	\$ 109,314	\$ (1,058)	\$ 108,256
2024	55,162	(181)	54,981
Total	<u>\$ 164,476</u>	<u>\$ (1,239)</u>	<u>\$ 163,237</u>

Note 8 – Liquidity and Availability of Resources

The Organization has financial assets of \$2,907,823 and \$2,316,817, that are available within one year of the consolidated statement of financial position as of December 31, 2022 and 2021, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position. In addition, the Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of three months budgeted operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity and reserves quarterly. During the years ended December 31, 2022 and 2021, the levels of liquidity and reserves were managed with the policy requirements.

The Organization's financial assets available for general expenditures within one year are as follows as of December 31:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,879,328	\$ 2,316,817
Pledges receivable	12,000	-
Accounts receivable	693	-
Loans receivable	15,802	-
Financial assets available for general expenditures within one year	<u>\$ 2,907,823</u>	<u>\$ 2,316,817</u>

Substantially all of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all net asset restrictions as of December 31, 2022 will be fully released during the next fiscal year.

Note 9 – Concentration and Credit Risk

Bank Deposits. At certain times during the years ended December 31, 2022 and 2021, the Organization maintained cash balances in excess of federally insured limits. Management believes the risk of loss on these amounts is minimal.