COMBINED FINANCIAL STATEMENTS

YOGA ALLIANCE®
YAPLUS

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

YOGA ALLIANCE®
YAPLUS

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yoga Alliance®
YAplus
Arlington, Virginia

We have audited the accompanying combined statement of financial position of the Yoga Alliance® and YAplus (collectively the Organizations) as of December 31, 2011, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The financial statements of the Yoga Alliance® for the year ended December 31, 2010 were audited by other auditors, whose report dated May 17, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2011 and 2010, and their combined changes in net assets and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

August 17, 2012

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

YOGA ALLIANCE®
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COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 917,633	$ 682,385
Accounts receivable	-	13,281
Prepaid expenses	82,393	12,524
Total current assets	1,000,026	708,190
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of $401,726 and $184,097 for 2011 and 2010, Respectively (Note 2)	682,307	834,356
OTHER ASSETS		
Investments in certificates of deposit (Note 8)	257,731	253,294
Security deposit	10,331	10,331
Total other assets	268,062	263,625
TOTAL ASSETS	**$ 1,950,395**	**$ 1,806,171**

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Capital lease, current portion (Note 3)	$ 10,881	$ 10,170
Accounts payable and accrued liabilities	95,990	72,409
Accrued salaries and related benefits	101,382	65,923
Accrued pension payable (Note 5)	36,031	24,520
Deferred revenue	3,070	4,474
Total current liabilities	247,354	177,496
LONG-TERM LIABILITIES		
Capital lease, net of current portion (Note 3)	13,704	24,585
Deferred rent liability (Note 4)	82,581	76,140
Total long-term liabilities	96,285	100,725
Total liabilities	343,639	278,221
NET ASSETS - Unrestricted	1,606,756	1,527,950
TOTAL LIABILITIES AND NET ASSETS	**$ 1,950,395**	**$ 1,806,171**

See accompanying notes to combined financial statements.

YOGA ALLIANCE®
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COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Unrestricted	
	2011	2010
REVENUE		
Registered yoga teachers	$ 2,083,442	$ 1,673,049
Registered yoga schools	531,718	359,924
Experienced registered yoga teachers	460,718	331,390
Conference	143,160	-
Interest income	6,986	3,400
Other revenue	21,455	4,290
Total revenue	3,247,479	2,372,053
EXPENSES		
Program Services	2,366,727	1,405,387
Management and General	801,946	602,478
Total expenses	3,168,673	2,007,865
Changes in unrestricted net assets	78,806	364,188
Unrestricted net assets at beginning of year	1,527,950	1,163,762
UNRESTRICTED NET ASSETS AT END OF YEAR	$ 1,606,756	$ 1,527,950

YOGA ALLIANCE®
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COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 928,338	$ 309,446	$ 1,237,784
Employee benefits (Note 5)	167,334	55,778	223,112
Payroll taxes	73,598	24,533	98,131
Fees for services:			
Management	110,715	110,715	221,430
Legal	-	157,660	157,660
Accounting	-	100,343	100,343
Advertising and promotion (Note 6)	25,658	-	25,658
Office expenses:			
Bank charges and merchant fees	63,839	3,360	67,199
Supplies	34,413	1,811	36,224
Equipment rental	3,610	190	3,800
Postage and shipping	36,322	1,912	38,234
Printing costs	29,977	1,578	31,555
Telephone	26,065	1,372	27,437
Dues and subscriptions	6,281	331	6,612
Licenses and permits	342	18	360
Registration fees	3,501	184	3,685
Other office expenses	16,267	856	17,123
Information technology	104,645	-	104,645
Occupancy (Note 4)	163,693	8,615	172,308
Travel, meeting and conventions	93,410	4,916	98,326
Conferences, conventions, and meetings	269,959	-	269,959
Interest	2,012	106	2,118
Depreciation and amortization (Note 2)	206,748	10,881	217,629
Insurance	-	7,341	7,341
TOTAL	**$ 2,366,727**	**$ 801,946**	**$ 3,168,673**

YOGA ALLIANCE®
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COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 523,666	$ 174,555	$ 698,221
Employee benefits (Note 5)	88,392	29,464	117,856
Payroll taxes	41,793	13,931	55,724
Fees for services:			
Management	-	34,424	34,424
Legal	-	58,173	58,173
Accounting	-	105,418	105,418
Administrative support and others	-	149,201	149,201
Advertising and promotion (Note 6)	87,733	-	87,733
Office expenses:			
Bank charges and merchant fees	48,125	2,533	50,658
Supplies	41,653	2,192	43,845
Equipment rental	4,841	255	5,096
Postage and shipping	26,261	1,382	27,643
Printing costs	25,890	1,363	27,253
Telephone	32,959	1,735	34,694
Dues and subscriptions	6,574	346	6,920
Licenses and permits	2,177	114	2,291
Other office expenses	16,336	860	17,196
Information technology	74,475	-	74,475
Occupancy (Note 4)	143,994	7,578	151,572
Travel, meeting and conventions	85,192	4,484	89,676
Interest	2,939	155	3,094
Depreciation and amortization (Note 2)	124,128	6,533	130,661
Loss on disposal of assets	28,259	1,487	29,746
Insurance	-	5,439	5,439
Other expenses	-	856	856
TOTAL	**$ 1,405,387**	**$ 602,478**	**$ 2,007,865**

See accompanying notes to combined financial statements.

YOGA ALLIANCE®
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COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 78,806	$ 364,188
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	217,629	130,661
Loss on disposal of assets	-	29,746
Deferred rent abatement	6,441	27,741
Decrease (increase) in:		
Accounts receivable	13,281	(11,482)
Prepaid expenses	(69,869)	12,739
Increase (decrease) in:		
Accounts payable and accrued liabilities	23,581	30,309
Accrued salaries and related benefits	35,459	65,595
Accrued pension payable	11,511	3,353
Deferred revenue	(1,404)	3,064
Net cash provided by operating activities	315,435	655,914
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(65,580)	(371,061)
Purchases of investments	(4,437)	(253,294)
Net cash used by investing activities	(70,017)	(624,355)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(10,170)	(9,529)
Net cash used by financing activities	(10,170)	(9,529)
Net increase in cash and cash equivalents	235,248	22,030
Cash and cash equivalents at beginning of year	682,385	660,355
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 917,633**	**$ 682,385**
SUPPLEMENTAL INFORMATION:		
Interest Paid	**$ 2,118**	**$ 3,094**

See accompanying notes to combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Yoga Alliance® (the Alliance), a not-for-profit corporation, formerly Unity in Yoga, was incorporated on May 29, 1987 under the laws of the State of Washington. The Alliance's mission is to support yoga teachers and the diversity and integrity of yoga. The Alliance registers yoga teachers who demonstrate qualifications that meet minimum teaching standards established by the Alliance's founding members. The Alliance also registers yoga schools whose teacher programs address those standards assuring graduates are well-qualified to teach the practicing public.

YAplus, formerly known as YA+ Association and doing business as YA+, is a not-for-profit corporation incorporated in December 2011 under the laws of the State of Virginia. YAplus is the professional society for yoga teachers, schools and students.

The accompanying combined financial statements reflect the activity of the Alliance and YAplus (collectively the Organizations). The financial statements have been combined because they are under common control. All intercompany transactions have been eliminated during combination.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities*, Consolidation.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Organizations maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Investments consisted of certificates of deposit, with an interest rate of 1.73%, which will mature on March 30, 2013.

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost. Furniture, equipment and software are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

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

Deferred revenue -

Deferred revenue consists of registration fees and conference registrations. The Organizations recognize registration fees upon approval of registration. The Organizations recognize conference revenue when the related event has occurred.

Income taxes -

The Alliance is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. The Alliance is not a private foundation.

YAplus was established as a non-profit organization; however, to date management has not applied for tax exempt status under Section 501(c)(6) of the Internal Revenue Code. As management intends to apply for retroactive tax exempt status, no provision for income taxes has been made in the accompanying financial statements.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2011 and 2010, the Organizations have documented their consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions. There were no temporarily restricted net assets as of December 31, 2011 and 2010.

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by the Organizations. There were no permanently restricted net assets as of December 31, 2011 and 2010.

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

Advertising -

The Organizations expense advertising costs the first time the advertising occurs.

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2011 and 2010:

	2011	2010
Furniture and equipment	$ 299,989	$ 288,209
Leasehold improvements	455,812	455,812
Software - Database	328,232	213,134
Construction in progress - Database	-	61,298
Total fixed assets	1,084,033	1,018,453
Less: Accumulated depreciation and amortization	(401,726)	(184,097)
NET FIXED ASSETS	**$ 682,307**	**$ 834,356**

Total depreciation and amortization expense was $217,629 and $130,661, for the years ended December 31, 2011 and 2010, respectively.

3. CAPITAL LEASE OBLIGATION

The Organizations entered into a five-year capital lease obligation for equipment, which expires in 2014. The cost of the equipment was $52,075. As of December 31, 2011 and 2010, the related accumulated amortization of the leased asset was $29,162 and $19,094, respectively.

3. CAPITAL LEASE OBLIGATION (Continued)

Future minimum lease payments at December 31, 2011 are as follows:

Year Ended December 31,	
2012	$ 12,288
2013	12,288
2014	2,048
	26,624
Less: Interest, imputed from 3% to 14%	(2,039)
	24,585
Less: Current portion	(10,881)
LONG-TERM PORTION	**$ 13,704**

4. LEASE COMMITMENTS

The Organizations lease office space under a ten-year agreement, which expires on July 31, 2018. Base rent is $123,972 per year, plus a proportionate share of expenses, increasing by a factor of 3.5% per year.

The office lease contains incentives consisting primarily of rent waivers. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for combined financial statement purposes is recorded as a deferred rent liability on the Combined Statements of Financial Position.

The following is a schedule of the future minimum lease payments:

Year Ended December 31,	
2012	$ 139,460
2013	144,341
2014	149,393
2015	154,622
2016	160,034
Thereafter	264,199
	$1,012,049

Rent expense for the years ended December 31, 2011 and 2010 was $143,352 and $141,328, respectively. The deferred rent liability was $82,581 and $76,140 for the years ended December 31, 2011 and 2010, respectively.

5. RETIREMENT PLAN

The Organizations adopted a 401(k) Profit Sharing Plan (the Plan). The Plan covers all employees who are 18 years and older upon becoming an employee of the Organizations. As required by the Plan document, the Organizations make contributions equal to 3% of compensation of the covered participants during the plan year. The Plan may also provide a discretionary contribution of compensation based on the classification a participant falls under. The Organizations did not make a discretionary contribution during the year ended December 31, 2011. Contributions for the years ended December 31, 2011 and 2010 were $36,031 and $24,520, respectively.

6. ADVERTISING

Included in program expense on the Combined Statements of Activities and Changes in Net Assets are advertising costs in the amount of $25,658 and $14,369, for the years ended December 31, 2011 and 2010, respectively.

7. COMMITMENTS

The Organizations are committed under agreements for hotel rooms and conference space through the year 2012. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event. Although the room costs are usually paid directly by conference participants, the Organizations are contingently liable for all or a portion of these costs upon cancellation of the event. Management believes that the Organizations' future exposure to such losses is unlikely.

8. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

8. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

- *Certificates of Deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2011:

	Level 1	Level 2	Level 3	Total December 31,
Asset Class:				
Certificates of Deposit	$ -	$ 257,731	$ -	$ 257,731

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2010:

	Level 1	Level 2	Level 3	Total December 31,
Asset Class:				
Certificates of Deposit	$ -	$ 253,294	$ -	$ 253,294

9. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through August 17, 2012, the date the combined financial statements were issued.

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION

To the Board of Directors
Yoga Alliance®
YAplus
Arlington, Virginia

We have audited the combined financial statements of the Yoga Alliance® and YAplus (collectively the Organizations), as of and for the year ended December 31, 2011, and have issued our report thereon dated August 17, 2012, which contained an unqualified opinion on those combined financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Gelman Rosenberg & Freedman

August 17, 2012

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

YOGA ALLIANCE®
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COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011

ASSETS

	Yoga Alliance®	YAplus	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 867,633	$ 50,000	$ -	$ 917,633
Due from YAplus	193,288	-	(193,288)	-
Prepaid expenses	82,393	-	-	82,393
Total current assets	1,143,314	50,000	(193,288)	1,000,026
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of $401,726 for 2011	682,307	-	-	682,307
OTHER ASSETS				
Investments in certificates of deposit	257,731	-	-	257,731
Security deposit	10,331	-	-	10,331
Total other assets	268,062	-	-	268,062
TOTAL ASSETS	**$ 2,093,683**	**$ 50,000**	**$ (193,288)**	**$ 1,950,395**

LIABILITIES AND NET ASSETS

	Yoga Alliance®	YAplus	Eliminations	Total
CURRENT LIABILITIES				
Capital lease, current portion	$ 10,881	$ -	$ -	$ 10,881
Accounts payable and accrued liabilities	95,990	-	-	95,990
Due to Yoga Alliance	-	193,288	(193,288)	-
Accrued salaries and related benefits	101,382	-	-	101,382
Accrued pension payable	36,031	-	-	36,031
Deferred revenue	3,070	-	-	3,070
Total current liabilities	247,354	193,288	(193,288)	247,354
LONG-TERM LIABILITIES				
Capital lease, net of current portion	13,704	-	-	13,704
Deferred rent liability	82,581	-	-	82,581
Total long-term liabilities	96,285	-	-	96,285
Total liabilities	343,639	193,288	(193,288)	343,639
NET ASSETS - Unrestricted	1,750,044	(143,288)	-	1,606,756
TOTAL LIABILITIES AND NET ASSETS	**$ 2,093,683**	**$ 50,000**	**$ (193,288)**	**$ 1,950,395**

YOGA ALLIANCE®
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COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Yoga Alliance®	YAplus	Eliminations	Total
UNRESTRICTED REVENUE				
Registered yoga teachers	$ 2,083,442	$ -	$ -	$ 2,083,442
Registered yoga schools	531,718	-	-	531,718
Experienced registered yoga teachers	460,718	-	-	460,718
Conference	143,160	-	-	143,160
Interest income	6,986	-	-	6,986
Other revenue	21,455	-	-	21,455
Total revenue	3,247,479	-	-	3,247,479
EXPENSES				
Program Services	2,256,517	110,210	-	2,366,727
Management and General	768,868	33,078	-	801,946
Total expenses	3,025,385	143,288	-	3,168,673
Change in unrestricted net assets	222,094	(143,288)	-	78,806
Unrestricted net assets at beginning of year	1,527,950	-	-	1,527,950
UNRESTRICTED NET ASSETS AT END OF YEAR	**$ 1,750,044**	**$ (143,288)**	**$ -**	**$ 1,606,756**