COMBINED FINANCIAL STATEMENTS

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION

YAPLUS D/B/A YOGA ALLIANCE

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yoga Alliance Registry d/b/a Yoga Alliance Foundation
YAplus d/b/a Yoga Alliance
Arlington, Virginia

We have audited the accompanying combined financial statements of the Yoga Alliance Registry d/b/a Yoga Alliance Foundation and YAplus d/b/a Yoga Alliance (collectively, the Organizations), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of December 31, 2016 and 2015, and the combined changes in their net assets and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter Regarding Restatement of Prior Year Financial Statements

As discussed in Note 8 to the financial statements, the 2015 financial statements of the Yoga Alliance Registry d/b/a Yoga Alliance Foundation and YAplus d/b/a Yoga Alliance have been restated to correct a prior year misstatement. Our opinion is not modified with respect to that matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedule of Financial Position on page 17 and the Combining Schedule of Activities on page 18 are presented for purposes of additional analysis and are not a required part of the 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

November 13, 2017

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 886,316	$ 1,306,750
Investments	6,443,327	3,666,758
Accounts receivable	16,355	167,841
Prepaid expenses	139,213	94,409
Total current assets	7,485,211	5,235,758
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of $2,259,285 in 2016 and $1,556,817 in 2015	1,858,536	2,044,173
OTHER ASSETS		
Security deposit	80,609	90,941
TOTAL ASSETS	**$ 9,424,356**	**$ 7,370,872**

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 322,621	$ 196,239
Accrued salaries and related benefits	64,148	52,751
Accrued pension payable	-	39,269
Deferred revenue	1,560,416	785,229
Total current liabilities	1,947,185	1,073,488
LONG-TERM LIABILITIES		
Deferred rent liability	360,823	113,620
Deferred tenant improvement allowance	430,993	500,240
Total long-term liabilities	791,816	613,860
Total liabilities	2,739,001	1,687,348
NET ASSETS		
Unrestricted	6,685,355	5,683,524
TOTAL LIABILITIES AND NET ASSETS	**$ 9,424,356**	**$ 7,370,872**

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Unrestricted	
	2016	**2015**
REVENUE		
Registered yoga teachers	$ 3,609,441	$ 3,923,064
Registered yoga schools	937,534	1,061,276
Membership	2,169,437	1,182,448
YACEP designation fee revenue	13,127	-
Partnership income	198,449	146,780
Contributions	69,883	31,865
Investment income	212,781	14,908
Other revenue	18,164	-
Loss on disposal of fixed assets	(132,913)	-
Total revenue	7,095,903	6,360,341
EXPENSES		
Program Services	5,073,948	4,382,210
Management and General	1,020,124	855,033
Total expenses	6,094,072	5,237,243
Changes in net assets	1,001,831	1,123,098
Net assets at beginning of year	5,683,524	4,560,426
NET ASSETS AT END OF YEAR	**$ 6,685,355**	**$ 5,683,524**

See accompanying notes to combined financial statements.

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 1,246,099	$ 415,366	$ 1,661,465
Employee benefits	205,919	68,640	274,559
Payroll taxes	98,899	32,966	131,865
Fees for services:			
Legal	735,523	183,880	919,403
Accounting	169,182	56,394	225,576
Other	138,575	7,293	145,868
Advertising and promotion	178,638	-	178,638
Office expenses:			
Bank charges and merchant fees	195,931	10,312	206,243
Supplies	13,819	4,606	18,425
Equipment rental	10,809	3,603	14,412
Postage and shipping	13,749	4,583	18,332
Printing costs	27,261	1,435	28,696
Telephone	45,521	2,395	47,916
Dues and subscriptions	283	5,376	5,659
Other office expenses	10,781	3,626	14,407
Information technology	396,146	20,850	416,996
Occupancy	296,002	93,474	389,476
Repairs and maintenance	3,874	1,291	5,165
Travel, meeting and conventions	35,823	35,824	71,647
Conferences, conventions and meetings	277,017	-	277,017
Depreciation and amortization	974,097	51,269	1,025,366
Insurance	-	16,941	16,941
TOTAL	**$ 5,073,948**	**$ 1,020,124**	**$ 6,094,072**

See accompanying notes to combined financial statements.

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 953,446	$ 317,818	$ 1,271,264
Employee benefits	185,308	61,769	247,077
Payroll taxes	83,658	27,886	111,544
Fees for services:			
Legal	624,429	156,107	780,536
Accounting	-	41,515	41,515
Other	105,001	5,526	110,527
Advertising and promotion	327,547	-	327,547
Office expenses:			
Bank charges and merchant fees	155,883	8,204	164,087
Supplies	12,888	4,296	17,184
Equipment rental	21,693	7,231	28,924
Postage and shipping	12,498	4,166	16,664
Printing costs	24,899	1,310	26,209
Telephone	32,706	1,721	34,427
Dues and subscriptions	61	1,166	1,227
Other office expenses	13,078	5,116	18,194
Information technology	333,247	17,539	350,786
Occupancy	215,978	69,413	285,391
Repairs and maintenance	6,192	4,644	10,836
Strategic planning	-	42,284	42,284
Travel, meeting and conventions	26,462	26,462	52,924
Conferences, conventions and meetings	570,051	-	570,051
Depreciation and amortization	675,973	35,577	711,550
Loss on disposal of fixed assets	1,212	64	1,276
Insurance	-	15,219	15,219
TOTAL	**$ 4,382,210**	**$ 855,033**	**$ 5,237,243**

See accompanying notes to combined financial statements.

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,001,831	$ 1,123,098
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,025,366	711,550
Loss on disposal of fixed assets	132,913	1,276
Unrealized (gain) loss on investments	(173,760)	5,190
Realized loss on investments	5,397	13,682
(Increase) decrease in:		
Accounts receivable	151,486	(163,544)
Prepaid expenses	(44,804)	13,784
Security deposit	10,332	(80,610)
Increase (decrease) in:		
Accounts payable and accrued expenses	126,382	61,149
Accrued salaries and related benefits	11,397	11,418
Accrued pension payable	(39,269)	(2,853)
Deferred revenue	775,187	295,813
Deferred rent liability	247,203	108,084
Deferred tenant improvement allowance	(69,247)	(9,924)
Net cash provided by operating activities	3,160,414	2,088,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(972,642)	(875,084)
Purchases of investments	(4,513,738)	(4,077,789)
Proceeds from sales of investments	1,905,532	2,856,862
Net cash used by investing activities	(3,580,848)	(2,096,011)
Net decrease in cash and cash equivalents	(420,434)	(7,898)
Cash and cash equivalents at beginning of year	1,306,750	1,314,648
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 886,316**	**$ 1,306,750**
SUPPLEMENTAL INFORMATION:		
Leasehold Improvements Paid by the Organizations' Landlord	**$ -**	**$ 510,164**

See accompanying notes to combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

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

YAplus d/b/a the Yoga Alliance (the Alliance), is a not-for-profit corporation incorporated in December 2011 under the laws of the State of Virginia. The Alliance is the professional society for yoga teachers, schools and students. The Foundation's annual registration fees include a membership assessment, and yoga teachers registering with the Foundation automatically become members of the Alliance.

Basis of presentation -

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

The 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, except for money market funds held with investment institutions. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, the Organizations maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized losses and gains, less management fees are included in investment income in the accompanying Combined Statements of Activities and Changes in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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.

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

Fixed assets (continued) -

Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended December 31, 2016 and 2015 totaled $1,025,366 and $711,550, respectively.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Combined Statements of Activities and Changes in Net Assets, to its current fair value.

Deferred revenue -

Deferred revenue consists of deferred membership revenue and deferred Yoga Alliance Continuing Education Provider (YACEP) designation fees. The Organizations recognize membership revenue and YACEP designation fee revenue on a pro rata basis over the membership period.

Income taxes -

The Foundation 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 Foundation is not a private foundation.

The Alliance is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements.

Uncertain tax positions -

For the years ended December 31, 2016 and 2015, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

Unrestricted net assets include revenue received without donor-imposed restrictions. These net assets are available for the operations of the Organizations. The Organizations did not have any temporarily or permanently restricted activity for the years ended December 31, 2016 and 2015.

Registration fees -

The Organizations collect registration fees from yoga teachers and schools for the administration of their credentialing system, which are recognized as revenue when received.

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

Advertising -

The Organizations expense advertising costs as incurred. Included in program expense on the Combined Statements of Activities and Changes in Net Assets are advertising costs in the amounts of $178,638 and $327,547, for the years ended December 31, 2016 and 2015, respectively.

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.

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurement -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organizations account for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statements of Activities and Changes in Net Assets.

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

New accounting pronouncement (continued) -

The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted; however, the Organizations have elected not to early adopt the ASU. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organizations' combined financial statements, it is not expected to alter the Organizations' reported financial position.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2016 and 2015:

	Fair Value	
	2016	2015
Money market funds	$ 319,748	$ 115,386
Corporate and municipal bonds	236,606	160,972
Mutual funds	3,219,918	369,278
Certificates of deposit	1,840,145	2,929,885
Exchange traded funds	826,910	91,237
TOTAL INVESTMENTS	**$ 6,443,327**	**$ 3,666,758**

Included in investment income as of December 31, 2016 and 2015 are the following:

	2016	2015
Interest and dividends	$ 44,418	$ 33,780
Unrealized gain (loss) on investments	173,760	(5,190)
Realized loss on sales of investments	(5,397)	(13,682)
TOTAL INVESTMENT INCOME	**$ 212,781**	**$ 14,908**

3. LOAN AGREEMENT

On May 11, 2012, the Alliance entered into a ten-year revolving loan agreement with the Foundation, providing draws by the Alliance of up to a maximum amount of $1,000,000. Borrowings made by the Alliance accrue interest of 3.25%, and interest-only payments are due to the Foundation on a quarterly basis. The total outstanding balance of the loan is due at the end of the ten-year term. As of December 31, 2016 and 2015, the total amount of the revolving loan aggregated $1,008,035 and $1,117,586, respectively, and includes principal plus interest.

In addition, on August 11, 2014, the Alliance entered into a cost sharing agreement with the Foundation, which allows the Alliance to share use of the Foundation's office space, equipment and services.

3. LOAN AGREEMENT (Continued)

Under the agreement, the Alliance is required to reimburse the Foundation for these shared costs on a quarterly basis, plus interest of 3%. As of December 31, 2016 and 2015, the total unreimbursed amount of the cost sharing agreement aggregated $1,190,611 and $792,756, respectively, and includes principal plus interest.

As of December 31, 2016 and 2015, the total amount of principal and interest due by the Alliance to the Foundation aggregated $2,198,646 and $1,910,342, respectively; in the accompanying Combined Statements of Financial Position, such amounts have been eliminated in combination.

4. FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Furniture and equipment	$ 249,317	$ 204,162
Website	3,428,650	2,501,163
Leasehold improvements	439,854	895,665
Total fixed assets	4,117,821	3,600,990
Less: Accumulated depreciation and amortization	(2,259,285)	(1,556,817)
NET FIXED ASSETS	**$ 1,858,536**	**$ 2,044,173**

Total depreciation and amortization expense was $1,025,366 and $711,550, for the years ended December 31, 2016 and 2015, respectively.

5. LEASE COMMITMENTS

The Organizations previously leased office space under a ten-year agreement beginning August 2008. The lease was terminated during 2013 due to the sale of the building and a new lease was entered into with the new landlord. The new lease was for a term of three years beginning August 2013. Base rent was $182,004 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year. This lease expired July 31, 2016.

On April 27, 2015, the Foundation entered into a lease for office space in Arlington, Virginia. The lease commenced on September 1, 2015 and will terminate on November 30, 2026. The monthly base rental requirement is $26,870 and will increase 2.75% per annum. Included in this lease was a tenant improvement allowance which totaled $510,164.

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 financial statement purposes is recorded as a deferred rent liability in the accompanying Combined Statements of Financial Position. As of December 31, 2016 and 2015, the deferred rent liability aggregated $360,823 and $113,620, respectively.

5. LEASE COMMITMENTS (Continued)

Accounting principles generally accepted in the United States of America also require that leasehold improvements (assets furnished by the landlord) be recorded as assets (leasehold improvements), and an allowance (deferred tenant improvements) be recorded as a corresponding liability in the accompanying Combined Statements of Financial Position. As of December 31, 2016 and 2015, the deferred tenant improvement allowance aggregated $430,993 and $500,240, respectively.

Additionally, during the years ended December 31, 2016 and 2015, the Organizations were under two operating leases related to a copier machine, maturing February 2019, and a postage machine, which matured in April 2016, with monthly payments of $341 and $285, respectively.

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

Year Ending December 31,	Office	Equipment	Total
2017	$ 324,657	$ 4,662	$ 329,319
2018	333,597	4,092	337,689
2019	342,768	682	343,450
2020	352,148	-	352,148
2021	361,842	-	361,842
Thereafter	1,928,965	-	1,928,965
	$ 3,643,977	$ 9,436	$ 3,653,413

Rent expense for the years ended December 31, 2016 and 2015 totaled $369,117 and $287,934, respectively, and is included in occupancy in the accompany Combined Statements of Functional Expenses.

6. 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 matching contributions up to 4% 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 years ended December 31, 2016 and 2015. Contributions for the years ended December 31, 2016 and 2015 were $47,380 and $39,269, respectively, and are included in employee benefits in the accompanying Combined Statements of Functional Expenses.

7. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, 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).

7. FAIR VALUE MEASUREMENT (Continued)

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. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2016 and 2015.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Corporate and municipal bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Exchange traded funds* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 319,748	$ -	$ -	$ 319,748
Corporate and municipal bonds	236,606	-	-	236,606
Mutual funds	3,219,918	-	-	3,219,918
Certificates of deposit	-	1,840,145	-	1,840,145
Exchange traded funds	826,910	-	-	826,910
TOTAL	**$ 4,603,182**	**$ 1,840,145**	**$ -**	**$ 6,443,327**

7. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 115,386	$ -	$ -	$ 115,386
Corporate and municipal bonds	160,972	-	-	160,972
Mutual funds	369,278	-	-	369,278
Certificates of deposit	-	2,929,885	-	2,929,885
Exchange traded funds	91,237	-	-	91,237
TOTAL	**$ 736,873**	**$ 2,929,885**	**$ -**	**$ 3,666,758**

8. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2016, the Organizations determined that the Alliance should be allocated its proportionate share of depreciation expense for the use of fixed assets maintained by the Foundation in prior years. As a result, unrestricted net assets of the Foundation and the Alliance at the beginning of 2016 have been adjusted. The prior period adjustment has no effect on the results of the current year’s activities of the Foundation and the Alliance. While the Organizations' consolidated net assets remained the same as previously reported as of December 31, 2015, the cumulative effect of this adjustment decreases the Alliance's beginning unrestricted net assets for 2016 by $346,500 (including interest of $18,088) and increases the Foundation's beginning unrestricted net assets for 2016 by the same amount. Had the error not occurred, the Foundation's changes in unrestricted net assets for 2012, 2013, 2014, and 2015 would have been increased by $25,446, $50,429, $109,244 and $161,381, respectively. The Alliance's changes in unrestricted net assets would have been decreased by the same amounts in those corresponding years.

9. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through November 13, 2017, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

ASSETS

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 676,393	$ 209,923	$ -	$ 886,316
Investments	6,443,327	-	-	6,443,327
Accounts receivable	164	16,191	-	16,355
Prepaid expenses	92,877	46,336	-	139,213
Loan receivable from Yoga Alliance	2,198,646	-	(2,198,646)	-
Total current assets	9,411,407	272,450	(2,198,646)	7,485,211
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of $2,259,285	1,858,536	-	-	1,858,536
OTHER ASSETS				
Security deposit	80,609	-	-	80,609
TOTAL ASSETS	**$ 11,350,552**	**$ 272,450**	**$ (2,198,646)**	**$ 9,424,356**

LIABILITIES AND NET ASSETS

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 216,077	$ 106,544	$ -	$ 322,621
Accrued salaries and related benefits	-	64,148	-	64,148
Deferred revenue	-	1,560,416	-	1,560,416
Loan payable to Yoga Alliance Foundation	-	2,198,646	(2,198,646)	-
Total current liabilities	216,077	3,929,754	(2,198,646)	1,947,185
LONG-TERM LIABILITIES				
Deferred rent liability	360,823	-	-	360,823
Deferred tenant improvement allowance	430,993	-	-	430,993
Total long-term liabilities	791,816	-	-	791,816
Total liabilities	1,007,893	3,929,754	(2,198,646)	2,739,001
NET ASSETS				
Unrestricted (deficit)	10,342,659	(3,657,304)	-	6,685,355
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	**$ 11,350,552**	**$ 272,450**	**$ (2,198,646)**	**$ 9,424,356**

YOGA ALLIANCE REGISTRY D/B/A YOGA ALLIANCE FOUNDATION
YAPLUS D/B/A YOGA ALLIANCE

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Yoga Alliance Foundation	Yoga Alliance	Eliminations	Total
UNRESTRICTED REVENUE				
Contributions	$ 69,883	$ -	$ -	$ 69,883
Registered yoga teachers	3,609,441	-	-	3,609,441
Registered yoga schools	937,534	-	-	937,534
Membership	-	2,169,437	-	2,169,437
YACEP designation fee revenue	-	13,127	-	13,127
Partnership income	-	198,449	-	198,449
Investment income	212,716	65	-	212,781
Other revenue	18,164	-	-	18,164
Loss on disposal of fixed assets	(132,913)	-	-	(132,913)
Interest income from related party	68,891	-	(68,891)	-
Total unrestricted revenue	4,783,716	2,381,078	(68,891)	7,095,903
EXPENSES				
Program Services	2,650,490	2,423,458	-	5,073,948
Management and General	489,049	599,966	(68,891)	1,020,124
Total expenses	3,139,539	3,023,424	(68,891)	6,094,072
Change in unrestricted net assets (deficit)	1,644,177	(642,346)	-	1,001,831
Unrestricted net assets (deficit) at beginning of year, as restated	8,698,482	(3,014,958)	-	5,683,524
UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR	**$ 10,342,659**	**$ (3,657,304)**	**$ -**	**$ 6,685,355**