

THE PREM RAWAT FOUNDATION
Los Angeles, California

FINANCIAL STATEMENTS
December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Prem Rawat Foundation
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Prem Rawat Foundation, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Prem Rawat Foundation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
October 2, 2015

THE PREM RAWAT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,409,919	\$ 1,218,398
Investments	431,551	32,624
Contribution receivable	36,371	21,176
Prepaid expense and other assets	<u>325</u>	<u>5,019</u>
	<u>\$ 1,878,166</u>	<u>\$ 1,277,217</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,049	\$ 16,723
Grants payable	<u>1,200</u>	<u>132,200</u>
Total current liabilities	<u>5,249</u>	<u>148,923</u>
Net assets		
Unrestricted	1,871,917	978,294
Temporarily restricted	<u>1,000</u>	<u>150,000</u>
Total net assets	<u>1,872,917</u>	<u>1,128,294</u>
Total liabilities and net assets	<u>\$ 1,878,166</u>	<u>\$ 1,277,217</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 1,217,205	\$ 1,000	\$ 1,218,205
Sales revenue	164	-	164
Program special events	896,696	-	896,696
Investment returns	5,437	-	5,437
Net assets released from restrictions (Note 6)	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,269,502</u>	<u>(149,000)</u>	<u>2,120,502</u>
Expenses			
Program services			
Peace initiative	861,087	-	861,087
Humanitarian aid	<u>192,000</u>	<u>-</u>	<u>192,000</u>
Total program services	<u>1,053,087</u>	<u>-</u>	<u>1,053,087</u>
Support services			
Management and general	120,757	-	120,757
Fundraising	<u>202,035</u>	<u>-</u>	<u>202,035</u>
Total support services	<u>322,792</u>	<u>-</u>	<u>322,792</u>
Total expenses	<u>1,375,879</u>	<u>-</u>	<u>1,375,879</u>
Changes in net assets	893,623	(149,000)	744,623
Net assets, beginning of the year	<u>978,294</u>	<u>150,000</u>	<u>1,128,294</u>
Net assets, end of the year	<u>\$ 1,871,917</u>	<u>\$ 1,000</u>	<u>\$ 1,872,917</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 1,372,632	\$ -	\$ 1,372,632
Sales revenue	172	-	172
Program special events	64,988	150,000	214,988
Investment returns	4,967	-	4,967
Net assets released from restrictions (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,442,759</u>	<u>150,000</u>	<u>1,592,759</u>
Expenses			
Program services			
Peace initiative	634,331	-	634,331
Humanitarian aid	<u>394,803</u>	<u>-</u>	<u>394,803</u>
Total program services	<u>1,029,134</u>	<u>-</u>	<u>1,029,134</u>
Support services			
Management and general	128,610	-	128,610
Fundraising	<u>100,298</u>	<u>-</u>	<u>100,298</u>
Total support services	<u>228,908</u>	<u>-</u>	<u>228,908</u>
Total expenses	<u>1,258,042</u>	<u>-</u>	<u>1,258,042</u>
Changes in net assets	184,717	150,000	334,717
Net assets, beginning of the year	<u>793,577</u>	<u>-</u>	<u>793,577</u>
Net assets, end of the year	<u>\$ 978,294</u>	<u>\$ 150,000</u>	<u>\$ 1,128,294</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2014

	Program Services		Support Services		Total Expenses
	Peace Initiative	Humanitarian Aid	Management and General	Fundraising	
Grants for humanitarian aid	\$ -	\$ 192,000	\$ -	\$ -	\$ 192,000
Grants for materials					
development	121,727	-	-	-	121,727
Production and material					
development	80,085	-	-	-	80,085
Development and creative	221,350	-	-	-	221,350
Marketing	82,234	-	-	-	82,234
Venue	1,404	-	-	-	1,404
Outside services	-	-	688	-	688
Salaries and wages	120,188	-	10,626	51,000	181,814
Professional fees	-	-	50,928	-	50,928
Distribution and fulfillment	3,584	-	-	-	3,584
Credit card and bank fees	-	-	-	47,210	47,210
Insurance	-	-	10,355	-	10,355
Special event	186,189	-	1,736	67,419	255,344
Office supplies	5,876	-	5,234	19,549	30,659
Fees and licenses	-	-	18,463	-	18,463
Internet hosting services	8,038	-	-	-	8,038
Computer supplies and equipment	12,188	-	-	4,670	16,858
Materials printed	2,703	-	-	9,680	12,383
Software development	750	-	-	-	750
Postage and delivery	-	-	10,211	2,507	12,718
Rent and storage	620	-	706	-	1,326
Travel	13,032	-	8,720	-	21,752
Telephone	-	-	2,730	-	2,730
Meals and entertainment	1,119	-	360	-	1,479
 Total expenses	 <u>\$ 861,087</u>	 <u>\$ 192,000</u>	 <u>\$ 120,757</u>	 <u>\$ 202,035</u>	 <u>\$ 1,375,879</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2013

	Program Services		Support Services		Total <u>Expenses</u>
	<u>Peace Initiative</u>	<u>Humanitarian Aid</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grants for humanitarian aid	\$ -	\$ 371,200	\$ -	\$ -	\$ 371,200
Grants for materials					
development	142,000	-	-	-	142,000
Production and material					
development	164,334	-	-	-	164,334
Development and creative	44,923	23,603	-	-	68,526
Marketing	22,798	-	-	-	22,798
Venue	5,710	-	-	33,358	39,068
Outside services	-	-	610	-	610
Salaries and wages	118,644	-	46,619	-	165,263
Professional fees	-	-	35,335	-	35,335
Distribution and fulfillment	4,756	-	-	-	4,756
Credit card and bank fees	-	-	784	44,893	45,677
Insurance	-	-	10,163	-	10,163
Special event	90,180	-	-	-	90,180
Office supplies	1,314	-	1,484	6,549	9,347
Fees and licenses	-	-	21,341	-	21,341
Internet hosting services	11,067	-	-	-	11,067
Computer supplies and					
equipment	3,300	-	-	3,685	6,985
Materials printed	3,099	-	-	11,788	14,887
Software development	9,016	-	-	-	9,016
Postage and delivery	-	-	7,330	25	7,355
Rent and storage	510	-	-	-	510
Travel	12,260	-	707	-	12,967
Telephone	-	-	4,225	-	4,225
Meals and entertainment	420	-	12	-	432
Total expenses	<u>\$ 634,331</u>	<u>\$ 394,803</u>	<u>\$ 128,610</u>	<u>\$ 100,298</u>	<u>\$ 1,258,042</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
 STATEMENTS OF CASH FLOWS
 For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Increase in net assets	\$ 744,623	\$ 334,717
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in unrealized fair value of investments	1,073	1,681
Change in operating assets and liabilities:		
Contributions receivable	(15,195)	(20,149)
Prepaid expenses	4,694	21,564
Accounts payable and accrued expenses	(12,674)	(167)
Grants payable	<u>(131,000)</u>	<u>80,700</u>
Net cash provided by operating activities	<u>591,521</u>	<u>418,346</u>
 Cash flows from investing activities		
Net cash used in investing activities		
Purchases of investments	<u>(400,000)</u>	<u>-</u>
 Net increase in cash and cash equivalents	191,521	418,346
 Beginning cash and cash equivalents	<u>1,218,398</u>	<u>800,052</u>
 Ending cash and cash equivalents	<u>\$ 1,409,919</u>	<u>\$ 1,218,398</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - ORGANIZATION

Organization and Activities: The Prem Rawat Foundation (the “Foundation” or “TPRF”), a California not-for-profit public benefit corporation, was created in November 2001. The purpose of the Foundation is to promote and disseminate to the general public the speeches, writings, music, art, and public forums of Prem Rawat. The Foundation advances the efforts of Prem Rawat to bring dignity, peace, and prosperity to people around the world.

The Foundation has planned, designed and implemented several critically needed programs such as its model program Food for People (FFP). FFP is based on Prem Rawat’s desire to directly help people break out of the cycle of poverty. There are now three Food for People facilities: one in India, one in Nepal, and a third facility in Ghana. Each facility serves over 100,000 hot nutritious meals every year to children, the sick and the elderly.

The Foundation also produces a number of print and online materials based on Prem Rawat’s addresses in addition to course material for its Peace Education Program. In addition to the production of media materials, the Foundation sponsors and supports events where Prem Rawat speaks to interested people at universities, non-governmental organizations, and various other meetings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Foundation.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or through the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

As of December 31, 2014, and 2013 the Foundation had \$1,000 and \$150,000, respectively, of temporarily restricted net assets, which were designated for the Food for People and Peace Initiative programs, respectively.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that require that the amounts contributed be invested in perpetuity. In the absence of donor-imposed restrictions on the use of the income generated by permanently restricted net assets, income and gains generated from such contributions are available for the general operations and programs of the Foundation.

As of December 31, 2014 and 2013, the Foundation had no permanently restricted net assets.

(Continued)

THE PREM RAWAT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the carrying value of property and equipment. Actual results could differ from those estimates.

Income Taxes: The Foundation has received a determination letter from the internal revenue service indicating that the Foundation is a not-for-profit corporation that has been approved for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California income taxes under similar provisions of the California Revenue and Taxation Code.

The Foundation recognizes a tax benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Foundation has concluded that there are no significant uncertain tax positions and they do not expect any significant change in the next twelve months. The tax years which remain subject to examination are December 31, 2011 to December 31, 2014 for federal returns and December 31, 2010 to December 31, 2014 for California returns.

The Foundation’s policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2014 and 2013, the Foundation did not have any accrued interest or penalties associated with any unrecognized tax benefits.

Cash and Cash Equivalents: Cash and cash equivalents consist of interest-bearing deposits and highly liquid investments with original maturities of less than 90 days. Cash equivalents are carried at cost, which approximates fair value.

Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash and cash equivalents may be in excess of the FDIC insurance limit. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments: The Foundation has adopted Accounting Standards Codification (“ASC”) Topic 958 *Not-for-Profit Entities* which requires investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the period in which the income and gains are recognized.

Advertising: Advertising costs are charged to expense as incurred. Total advertising costs incurred during the years ended December 31, 2014 and 2013 were \$11,994 and \$22,798, respectively.

(Continued)

THE PREM RAWAT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Property and equipment are recorded at historical cost or, if contributed, at estimated fair value at the date of contribution. Depreciation and amortization is computed using the straight-line method over the assets' estimated useful life. Useful lives for property and equipment range from five to seven years. Expenditures for repairs and maintenance are charged to operations when incurred. Major renewals and betterments are capitalized. The capitalization threshold is \$1,000.

Contributed Goods and Services: The value of significant contributed goods is reflected as contributions in the financial statements at the fair value of such goods at the date of contribution. Contributed services are recognized only if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended December 31, 2014 and 2013, there were no contributed goods and services.

Contributions Used For Long-Lived Assets: Gifts of cash or other assets that must be used to obtain land, buildings, equipment and other long-lived assets are reported as temporarily or permanently restricted revenue and net assets based on donor stipulations. Absent explicit donor stipulations for the amount of time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets to unrestricted net assets are reported when the long-lived assets are placed in service.

Impairment of Long-Lived Assets: The Foundation reviews its investment in long-lived assets for recoverability whenever events or changes in circumstances indicate the net carrying amount may not be recoverable. There were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable for the years ended December 31, 2014 and 2013.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses for the years ended December 31, 2014 and 2013. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

NOTE 3 - INVESTMENTS

Investments are reported at fair value and consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Fixed income – certificates of deposit	\$ 400,842	\$ -
Fixed income – corporate bonds	<u>30,709</u>	<u>32,624</u>
Total investments	<u>\$ 431,551</u>	<u>\$ 32,624</u>

(Continued)

THE PREM RAWAT FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014 and 2013

NOTE 3 – INVESTMENTS (Continued)

Investments recorded in the statement 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 that the Foundation has the ability to access. There are no Level 1 investments.

Level 2 - These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. These investments are comprised of corporate bonds held by the Foundation.

Level 3 - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. There are no Level 3 investments.

	December 31,	
	2014	2013
	<u>Fair Value</u>	<u>Fair Value</u>
<u>Level 2:</u>		
Fixed income – certificates of deposit	\$ 400,842	\$ -
Fixed income – corporate bonds	<u>30,709</u>	<u>32,624</u>
Fixed income	<u>\$ 431,551</u>	<u>\$ 32,624</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	<u>2014</u>	<u>2013</u>
Computer equipment and software	\$ 239,628	\$ 239,628
Less accumulated depreciation	<u>(239,628)</u>	<u>(239,628)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

(Continued)

THE PREM RAWAT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – GRANTS PAYABLE

As of December 31, 2014, \$1,200 of grants payable were payable to humanitarian efforts. As of December 31, 2013, \$132,200 of grants payable were payable to AmeriCares Foundation, Mercy Corps, Rotary Charities, and Prembaf Ghana, all not for profit organizations for Philippines typhoon relief and humanitarian aid.

NOTE 6 – NET ASSETS

Temporarily restricted net assets are available primarily for Peace Initiative programs. These net assets are released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Generally, satisfaction of the restriction is determined to be met when program expenses are incurred. For the years ended December 31, 2014 and 2013 \$150,000 and \$0 were released from restriction, respectively.

Temporarily restricted net assets are restricted for the following at December 31:

	<u>2014</u>	<u>2013</u>
Peace Initiative program	\$ -	\$ 150,000
Food for People program	\$ 1,000	\$ -

NOTE 7 - MAJOR DONOR AND VENDORS

There was one individual donor that contributed over 10% for the year ended December 31, 2014 and no individual donors that contributed over 10% for the year ended December 31, 2013.

No individual vendors accounted for purchases greater than 10% for the years ended December 31, 2014 or December 31, 2013, respectively.

NOTE 8 - CONCENTRATION OF SOURCE MATERIALS

The Foundation focuses primarily on promoting the teachings and messages of Prem Rawat. The operations of the Foundation could be adversely affected in the event of the incapacity of Prem Rawat.

NOTE 9 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2014 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2014. Management has performed their analysis of subsequent events through October 2, 2015 the date the financial statements were available to be issued.