

THE PREM RAWAT FOUNDATION

FINANCIAL STATEMENTS

December 31, 2012 and 2011

THE PREM RAWAT FOUNDATION
Los Angeles, California

FINANCIAL STATEMENTS
December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To 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, 2012 and 2011, 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.

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, 2012 and 2011, 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

Sherman Oaks, California
August 2, 2013

THE PREM RAWAT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 800,052	\$ 684,339
Investments	34,305	28,804
Contributions receivable	1,027	38,995
Prepaid expenses	<u>26,583</u>	<u>4,862</u>
Total current assets	861,967	757,000
Net property and equipment	<u>-</u>	<u>12,119</u>
	<u>\$ 861,967</u>	<u>\$ 769,119</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 16,890	\$ 45,529
Grants payable	<u>51,500</u>	<u>49,500</u>
Total current liabilities	<u>68,390</u>	<u>95,029</u>
Net assets		
Unrestricted	793,577	601,090
Temporarily restricted	<u>-</u>	<u>73,000</u>
Total net assets	<u>793,577</u>	<u>674,090</u>
	<u>\$ 861,967</u>	<u>\$ 769,119</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 1,403,631	\$ -	\$ 1,403,631
Sales revenue	927	-	927
Program special events	251,278	-	251,278
Investment income	8,533	-	8,533
Net assets released from restrictions (Note 6)	<u>73,000</u>	<u>(73,000)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,737,369</u>	<u>(73,000)</u>	<u>1,664,369</u>
Expenses			
Program services			
Peace initiative	770,490	-	770,490
Humanitarian aid	<u>501,796</u>	<u>-</u>	<u>501,796</u>
Total program services	<u>1,272,286</u>	<u>-</u>	<u>1,272,286</u>
Support services			
Management and general	176,449	-	176,449
Fundraising	<u>96,147</u>	<u>-</u>	<u>96,147</u>
Total support services	<u>272,596</u>	<u>-</u>	<u>272,596</u>
Total expenses	<u>1,544,882</u>	<u>-</u>	<u>1,544,882</u>
Change in net assets	192,487	(73,000)	119,487
Net assets, beginning of the year	<u>601,090</u>	<u>73,000</u>	<u>674,090</u>
Net assets, end of the year	<u>\$ 793,577</u>	<u>\$ -</u>	<u>\$ 793,577</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 1,226,135	\$ 73,000	\$ 1,299,135
Sales revenue	4,153	-	4,153
Public events	800	-	800
Program special events	149,368	-	149,368
Investment income	2,808	-	2,808
Net assets released from restrictions (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,383,264</u>	<u>73,000</u>	<u>1,456,264</u>
Expenses			
Program services			
Peace initiative	557,399	-	557,399
Humanitarian aid	<u>775,346</u>	<u>-</u>	<u>775,346</u>
Total program services	<u>1,332,745</u>	<u>-</u>	<u>1,332,745</u>
Support services			
Management and general	118,376	-	118,376
Fundraising	<u>132,383</u>	<u>-</u>	<u>132,383</u>
Total support services	<u>250,759</u>	<u>-</u>	<u>250,759</u>
Total expenses	<u>1,583,504</u>	<u>-</u>	<u>1,583,504</u>
Change in net assets	(200,240)	73,000	(127,240)
Net assets, beginning of the year	<u>801,330</u>	<u>-</u>	<u>801,330</u>
Net assets, end of the year	<u>\$ 601,090</u>	<u>\$ 73,000</u>	<u>\$ 674,090</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2012

	<u>Program Services</u>		<u>Support Services</u>		<u>Total Expenses</u>
	<u>Peace Initiative</u>	<u>Humanitarian Aid</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grants for humanitarian aid	\$ -	\$ 492,350	\$ -	\$ -	\$ 492,350
Grants for materials development	282,775	-	-	-	282,775
Production and material development	98,718	-	-	-	98,718
Development and creative Marketing	6,382	-	-	-	6,382
Venue	7,900	-	-	-	7,900
Technology support	15,600	-	-	36,725	52,325
Outside services	-	-	-	-	-
Salaries and wages	-	-	1,026	-	1,026
Professional fees	130,686	-	52,323	-	183,009
Distribution and fulfillment	-	-	89,646	-	89,646
Credit card and bank fees	6,933	-	-	-	6,933
Insurance	-	-	-	40,371	40,371
Website development and maintenance	-	-	9,498	-	9,498
Depreciation	164	-	-	-	164
Special event	13,597	-	-	-	13,597
Office supplies	161,700	-	-	-	161,700
Fees and licenses	2,783	-	1,292	2,871	6,946
Internet hosting services	-	-	13,478	-	13,478
Freight and shipping	25,656	-	-	-	25,656
Computer supplies and equipment	-	-	-	-	-
Computer maintenance and repair	1,399	-	-	4,215	5,614
Materials printed	-	-	-	-	-
Software development	12,078	-	-	10,652	22,730
Postage and delivery	400	-	-	-	400
Rent and storage	-	-	4,712	1,313	6,025
Travel	-	-	-	-	-
Telephone	3,467	9,446	1,472	-	14,385
Meals and entertainment	-	-	2,944	-	2,944
	<u>252</u>	<u>-</u>	<u>58</u>	<u>-</u>	<u>310</u>
Total expenses	<u>\$ 770,490</u>	<u>\$ 501,796</u>	<u>\$ 176,449</u>	<u>\$ 96,147</u>	<u>\$ 1,544,882</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2011

	Program Services		Support Services		Total Expenses
	Peace Initiative	Humanitarian Aid	Management and General	Fundraising	
Grants for humanitarian aid	\$ -	\$ 771,846	\$ -	\$ -	\$ 771,846
Grants for materials development	175,000	-	-	-	175,000
Production and material development	97,365	-	-	-	97,365
Development and creative Marketing	56,072	-	-	-	56,072
Technology support	18,515	-	596	-	19,111
Outside services	48,146	-	-	-	48,146
Salaries and wages	12,287	-	-	-	12,287
Professional fees	106,932	-	43,775	23,816	174,523
Distribution and fulfillment	-	-	48,676	-	48,676
Credit card and bank fees	28,375	-	-	-	28,375
Insurance	-	-	2,608	43,137	45,745
Depreciation	-	-	8,281	-	8,281
Office supplies	11,429	-	-	-	11,429
Fees and licenses	-	-	2,352	73	2,425
Computer supplies and equipment	-	-	2,726	-	2,726
Materials printed	-	-	-	346	346
Software development	-	-	-	17,168	17,168
Postage and delivery	-	-	-	4,850	4,850
Rent and storage	-	-	5,197	1,328	6,525
Travel	-	-	-	38,050	38,050
Telephone	3,278	3,500	2,040	3,615	12,433
Meals and entertainment	-	-	2,011	-	2,011
	-	-	114	-	114
Total expenses	\$ 557,399	\$ 775,346	\$ 118,376	\$ 132,383	\$ 1,583,504

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
 STATEMENTS OF CASH FLOWS
 For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 119,487	\$ (127,240)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,597	11,429
Investment income	(5,501)	(2,808)
Change in operating assets and liabilities:		
Contributions receivable	37,968	(38,995)
Prepaid expenses	(21,721)	14,322
Merchandise inventory	-	9,298
Other current assets	-	7,670
Accounts payable and accrued expenses	(28,639)	45,529
Grants payable	2,000	(175,500)
Other liabilities	-	(12,686)
Net cash provided by (used in) operating activities	<u>117,191</u>	<u>(268,981)</u>
 Cash flows from investing activities		
Expenditures for property and equipment	<u>(1,478)</u>	<u>(13,704)</u>
Net cash used in investing activities	<u>(1,478)</u>	<u>(13,704)</u>
 Net increase (decrease) in cash and cash equivalents	115,713	(282,685)
 Beginning cash and cash equivalents	<u>684,339</u>	<u>967,024</u>
 Ending cash and cash equivalents	<u>\$ 800,052</u>	<u>\$ 684,339</u>

See accompanying notes to financial statements.

THE PREM RAWAT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

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 funded initiatives in 36 countries for various humanitarian initiatives through contributions and expending these contributions according to their restrictions. These initiatives are made in tandem with organizations such as the World Food Program, Oxfam, Mercy Corps, AmeriCares and other smaller charitable organizations. TPRF planned, designed and implemented several critically needed programs. TPRF’s model program called Food for People (“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, 2012, and 2011 the Foundation had \$0 and \$73,000, respectively, of temporarily restricted net assets, which were designated for disaster relief.

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, 2012 and 2011, the Foundation had no permanently restricted net assets.

THE PREM RAWAT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

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 merchandise inventory and 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, 2008 to December 31, 2011 for federal returns and December 31, 2007 to December 31, 2011 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, 2012 and 2011, the Company 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 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 change in net assets. 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. These are considered available for sale securities.

Merchandise Inventory: Merchandise inventory consists of printed materials. Inventories are stated at the lower of cost or market determined on a first-in, first-out basis.

Advertising: Advertising costs are charged to expense as incurred. Total advertising costs incurred during the years ended December 31, 2012 and 2011 were \$7,900 and \$19,111, respectively.

THE PREM RAWAT FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 For the years ended December 31, 2012 and 2011

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.

Reclassification: Certain prior year amounts within the statement of financial position have been reclassified to conform with current year presentation. Specifically, investments have been reclassified separately from cash and cash equivalents. There was no change in net assets as a result of this reclassification.

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, 2012 and 2011, 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, 2012 and 2011.

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, 2012 and 2011. 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:

	2012		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed income – corporate bonds	\$ 38,190	\$ 34,305	\$ (3,885)
Total investments	\$ 38,190	\$ 34,305	\$ (3,885)

THE PREM RAWAT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

NOTE 3 – INVESTMENTS (Continued)

	2011		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed income – corporate bonds	\$ 38,190	\$ 28,804	\$ (9,386)
Total investments	<u>\$ 38,190</u>	<u>\$ 28,804</u>	<u>\$ (9,386)</u>

The investment portfolio is professionally managed and the assets are maintained in accounts with nationally recognized investment brokers.

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. These investments are fixed income securities. 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, 2012 <u>Fair Value</u>	December 31, 2011 <u>Fair Value</u>
<u>Level 2:</u>		
Fixed income – corporate bonds	\$ 34,305	\$ 28,804

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2012</u>	<u>2011</u>
Computer equipment and software	\$ 239,628	\$ 238,151
Less accumulated depreciation	<u>(239,628)</u>	<u>(226,032)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ 12,119</u>

THE PREM RAWAT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

NOTE 5 – GRANTS PAYABLE

As of December 31, 2012, \$51,500 of grants payable were payable to Premsagar Foundation Nepal and AmeriCares Foundation, both not for profit organizations for a Food for People facility in Nepal and humanitarian aid, respectively. As of December 31, 2011, \$49,500 of grants payable were payable to Premsagar Foundation Nepal, a not for profit organization in Nepal for a Food for People facility in Nepal. Each facility serves over 100,000 hot nutritious meals every year to children, the sick and the elderly.

NOTE 6 – NET ASSETS

Temporarily restricted net assets are available primarily for humanitarian aid 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.

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

	<u>2012</u>		<u>2011</u>
Humanitarian aid	\$	-	\$ 73,000

NOTE 7 - MAJOR DONOR AND VENDORS

No individual contributions or donors contributed over 10% for the years ended December 31, 2012 and December 31, 2011.

No individual vendors accounted for purchases greater than 10% for the years ended December 21, 2012 or December 31, 2011, 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, 2012 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2012. Management has performed their analysis of subsequent events through August 2, 2013, the date the financial statements were available to be issued.