

Nepal Youth Foundation

Combined Financial Statements

Year ended June 30, 2016

with

Report of Independent Auditors

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH
SHIRLEY CHEN-BLUM

To the Board of Directors
of Nepal Youth Foundation

We have audited the accompanying combined financial statements of the Nepal Youth Foundation (a nonprofit organization) and affiliates, which comprise the combined statement of financial position as of June 30, 2016, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 audit. We did not audit the financial statements of Nepal Youth Foundation Nepal, a Nepal affiliate, which statements reflect total assets of \$210,435 as of June 30, 2016, total support and revenues of \$28,209 and total expenses of \$3,650,369 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Nepal Youth Foundation, is based solely on the report of the other auditors. 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 from 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, based on our audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Nepal Youth Foundation and affiliates as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited the Nepal Youth Foundation's June 30, 2015 financial statements and in our report dated January 25, 2016, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott, LLP
Larkspur, CA
May 8, 2017

Nepal Youth Foundation
 Combined Statement of Financial Position
 As of June 30, 2016 with comparative totals only as of June 30, 2015

	U.S.A.	Nepal	2016 Totals	2015 Totals
Assets				
Current assets				
Cash and cash equivalents	\$ 655,281	\$ 166,343	\$ 821,624	\$ 957,012
Investments, at fair value	3,150,143	-	3,150,143	3,469,346
Grants receivable	50,500	-	50,500	132,500
Other receivables	197	-	197	8,730
Grants advanced	-	43,910	43,910	164,288
Prepaid expenses	5,110	-	5,110	4,995
Total current assets	3,861,231	210,253	4,071,484	4,736,871
Property and equipment, net	202	-	202	4,503
Deposits	2,726	182	2,908	3,201
Total assets	\$ 3,864,159	\$ 210,435	\$ 4,074,594	\$ 4,744,575
Liabilities and net assets				
Current liabilities				
Accounts payable	\$ 13,701	\$ 6,548	\$ 20,249	\$ 41,747
Accrued compensation	20,138	-	20,138	15,467
Total current liabilities	33,839	6,548	40,387	57,214
Long-term liabilities				
Pension liability	-	16,989	16,989	8,274
Total liabilities	33,839	23,537	57,376	65,488
Net assets				
Unrestricted				
Undesignated	1,319,260	186,898	1,506,158	2,011,855
Total unrestricted net assets	1,319,260	186,898	1,506,158	2,011,855
Temporarily restricted	2,511,060	-	2,511,060	2,667,232
Total net assets	3,830,320	186,898	4,017,218	4,679,087
Total liabilities and net assets	\$ 3,864,159	\$ 210,435	\$ 4,074,594	\$ 4,744,575

See accompanying notes.

Nepal Youth Foundation
 Combined Statement of Activities and Changes in Net Assets
 As of June 30, 2016 with comparative totals only as of June 30, 2015

	Unrestricted		Temporarily	2016 Totals	2015 Totals
	U.S.A.	Nepal	Restricted U.S.A.		
Support and revenue					
Grants and contributions	\$ 1,300,530	\$ 28,209	\$2,187,321	\$3,516,060	\$3,426,655
Investment income	(97,477)	-	-	(97,477)	104,421
Annual event, net of direct expenses of \$17,820	53,865	-	-	53,865	65,932
In-kind contributions	-	-	-	-	-
Net assets released from activity restrictions	2,343,493	-	(2,343,493)	-	-
Total support and revenue	3,600,411	28,209	(156,172)	3,472,448	3,597,008
Expenses					
Program services	3,000	3,529,333	-	3,532,333	3,095,165
Supporting services					
Management & Admin	271,628	54,417	-	326,045	249,230
Fundraising	209,320	66,619	-	275,939	261,073
Total expenses	483,948	3,650,369	-	4,134,317	3,605,468
Change in net assets	3,116,463	(3,622,160)	(156,172)	(661,869)	(8,460)
Transfers of net assets	(3,411,477)	3,411,477	-	-	-
Net assets, beginning of year	1,614,274	397,581	2,667,232	4,679,087	4,687,547
Net assets, end of year	\$1,319,260	\$ 186,898	\$2,511,060	\$4,017,218	\$4,679,087

See accompanying notes.

Nepal Youth Foundation

Combined Statement of Functional Expenses

As of June 30, 2016 with comparative totals only as of June 30, 2015

Expenses	Program Services				Supporting Services				2015 Totals
	U.S.A		Nepal		Management & Admin		Fundraising		
	U.S.A	Nepal	U.S.A	Nepal	U.S.A	Nepal	U.S.A	Nepal	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries	-	49,060	135,725	33,663	103,660	47,141	369,249	289,870	
Payroll taxes and benefits	-	3,756	24,873	3,663	13,660	4,399	50,351	39,324	
Professional fees	-	3,807	59,521	93	18,278	3,893	85,592	81,434	
Occupancy	-	-	19,389	2,842	14,964	-	37,195	32,811	
Communications	-	190	3,209	1,880	3,516	338	9,133	11,256	
Postage and shipping	-	-	1,505	-	8,100	-	9,605	7,822	
Supplies	-	686	2,493	1,328	1,043	168	5,718	8,278	
Equipment rental and maintenance	-	-	231	1,161	178	-	1,570	2,021	
Insurance	-	-	4,935	452	1,824	-	7,211	5,166	
Taxes, licenses and dues	-	307	645	656	92	-	1,700	903	
Bank fees	-	-	12,894	222	2,034	-	15,150	23,252	
Printing and publications	-	32	307	343	17,582	195	18,459	28,107	
Travel	-	3,965	606	2,673	8,628	8,931	24,803	26,741	
Promotion	-	159	-	190	14,226	1,554	16,129	1,816	
Training	-	93	1,346	563	1,183	-	3,185	6,537	
Earthquake Disaster Relief	-	-	-	-	-	-	916,516	492,361	
Grants	-	2,492,330	-	-	-	-	2,492,330	2,464,331	
U.S. scholarships awarded	3,000	-	-	-	-	-	3,000	11,000	
Direct client support	-	6,467	-	-	-	-	6,467	1,460	
Depreciation and amortization	-	-	3,949	-	352	-	4,301	5,466	
Miscellaneous	-	51,965	-	4,688	-	-	56,653	65,512	
Total expenses	\$ 3,000	\$3,529,333	\$ 271,628	\$ 54,417	209,320	66,619	\$4,134,317	\$3,605,468	

See accompanying notes.

Nepal Youth Foundation
Combined Statement of Cash Flows
As of June 30, 2016 with comparative totals only as of June 30, 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (661,869)	\$ (8,460)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributed investments	(577,304)	(288,066)
Net gain on investments	(167,963)	41,262
Depreciation and amortization	4,301	5,466
Changes in current assets and liabilities		
Grants receivable	82,000	(72,255)
Other receivables	8,533	(8,730)
Grants advanced	120,378	(125,493)
Prepaid expenses	(115)	(653)
Accounts payable	(21,498)	23,765
Accrued compensation	4,671	699
	<u>(1,208,866)</u>	<u>(432,465)</u>
Cash flows from investing activities		
Sale (Purchase) of investments, net	1,064,470	346,632
Net change in deposits	293	74
Net change in pension liability	8,715	(20,018)
	<u>1,073,478</u>	<u>326,688</u>
Change in cash and cash equivalents	(135,388)	(105,777)
Cash and cash equivalents, beginning of year	<u>957,012</u>	<u>1,062,789</u>
Cash and cash equivalents, end of year	<u>\$ 821,624</u>	<u>\$ 957,012</u>

See accompanying notes.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Basis of presentation and programs

The Nepal Youth Foundation (NYF) was incorporated in California on June 26, 1990, and operates as a nonprofit public charity through its office in Sausalito, California with its Country Office in Kathmandu, Nepal. NYF is devoted to bringing hope to the most destitute children in the beautiful but impoverished country of Nepal. The Nepal Youth Foundation offers hope and opportunity to Nepal's most impoverished children by providing them what is every child's birthright: vital healthcare, education and a safe environment. The programs of NYF are:

Empowering Freed Kamlaris

NYF launched the *Indentured Daughters Program* in 2000 with the goal of ending the practice of *Kamlari*, the system in which girls from desperately poor families were sold into domestic slavery. Since then, NYF has rescued over 12,700 girls and returned them to their home communities. NYF's new *Empowering Freed Kamlaris* program (EFK) is helping the rescued girls become independent young women with several programs:

Leadership Training through the *Freed Kamlari Development Forum* (FKDF) action group formed by the freed young women in 2010.

Economic Development through the use of business co-ops.

Vocational Training in marketable skills such as agriculture, engineering, computer technology, and healthcare.

Psychological Support through peer counseling and monthly support groups.

Vocational Education and Career Counseling

Since our *Vocational Education and Career Counseling* program (VECC) began in 2007, VECC has counseled and trained thousands of young people in a variety of trades. More than 80% of NYF graduates are now employed, a remarkable achievement in a country with a young adult unemployment rate over 40%.

Early Childhood Development

Through *Early Childhood Development* (ECD) centers in rural villages, NYF trains teachers and staff, designs the curriculum, and supplies educational materials. Because nearly half of all Nepali children are malnourished, NYF provides healthy meals at our ECD centers and trains mothers in nutrition basics.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Basis of presentation and programs (continued)

Scholarship Program

NYF's scholarship program is at the heart of our mission. NYF is one of the largest non-governmental providers of scholarship aid in Nepal, supporting underprivileged and disabled students from grade school to graduate school.

Malnutrition Prevention and Treatment

Almost half of the children in Nepal suffer from malnutrition due to lack of knowledge and poverty. NYF has established a comprehensive approach to solving the problem:

Nutritional Rehabilitation Homes - NYF runs small hospitals (NRHs) that restore severely malnourished children to good health while educating their mothers in nutrition and childcare.

Nutritional Outreach Camps - NYF provides nutrition education to mothers or guardians, and we refer severely malnourished children to an NRH for treatment.

Training and Capacity Building - NYF trains staff from the outlying facilities and medical students at the NRH in Kathmandu.

New Life Center

New Life Center (MSPN) is a transitional home for children with HIV/AIDS using a holistic approach that incorporates medicine, nutrition, psychological counseling and social support services. Children live at the center with their mother or caregiver until they can return home fully nourished and free of secondary infections.

Ankur Counseling Center

Ankur Counseling Center (ACC) heals the emotional wounds of children who have suffered trauma, neglect and loss, and offers wellness trainings that are helpful to any child. ACC also provides innovative training programs in Nepal for psychologists who work with children.

Children's Homes and the Olgapuri Village Project

In the 1990s, NYF created two of the best children's homes in Nepal - J House and K House, excellent homes for Nepali children who are orphans, disabled, or abandoned. (Among the most vulnerable in Nepal). In these loving environments, kids are empowered to excel and fulfill their dreams. J House (for boys) and K House (for girls)

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Basis of presentation and programs (continued)

Children's Homes and the Olgapuri Village Project

each hold only up to 30 children. Since their inception, these homes have been leased. This situation results in periodic disruption due to lease expirations and relocations. In 2013, the Board of Directors approved a project to grant monies to its affiliate in Nepal specifically earmarked for the purchase of land and construction of new and permanent J and K Houses. The complex is titled Olgapuri (Olga's Little Oasis) in honor of Olga Murray, the founder of the Nepal Youth Foundation. The Board approval stipulates that the funding for Olgapuri Village be raised separate from the ongoing program funding. As of June 30, 2016, the Board-approved Olgapuri Village project plan totals \$2,567,000 and includes:

- 1) Land, access and fees \$728,000.
- 2) Olgapuri Village structures, furnishings, and support equipment \$1,269,000.
- 3) Vocational Training facility, furnishings, and support equipment \$570,000.

Contributions and expenditures over the last four fiscal years:

	<u>Fiscal Year</u> <u>2012-2013</u>	<u>Fiscal Year</u> <u>2013-2014</u>	<u>Fiscal Year</u> <u>2014-2015</u>	<u>Fiscal Year</u> <u>2015-2016</u>	<u>Fiscal Years</u> <u>2012-2016</u>
Contributions	\$905,000	\$918,821	\$65,656	\$653,753	\$2,543,230
Expenditures	\$0	\$621,459	\$652,759	\$798,293	\$2,072,511

All expenditures are grants by the Nepal Youth Foundation INGO (International Non-Governmental Organization) to a local NGO (Non-Governmental Organization). The land and fixtures are owned by the local NGO, and as such it is NYF's policy to expense such acquisitions in Nepal. The NGO holds title and ownership of the land and fixtures for as long as it continues to run the programs within the complex. Title would only revert to the Social Welfare Council if the NGO were to fail in managing the programs, per the terms of the five-year Agreement last signed March 1, 2013.

The \$620,961 spent in Fiscal Year 2013-2014 was for land, which will be the site of the Olgapuri Village. The \$652,759 spent in Fiscal Year 2014-2015 was primarily to begin construction of the residences, dining hall and vocational training buildings. Despite the earthquake disruption in 2015, construction resumed with \$798,293 in construction and outfitting costs. Completion for the Children's residences was scheduled for Fall 2016 and the Vocational School by mid-2017.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Basis of presentation and programs (continued)

Children, youth, parents and professionals served (continued)

In fiscal year 2015-2016, NYF served an estimated over 20,300 children and youth, and 4,100 parents, caretakers and professionals through our programs. The following table represents the number of children and youth, and professionals served by program:

Program	2015-16 Children, Youth, & Professionals Served
Empowering Freed Kamlaris	over 9,200
Vocational Education & Career Counseling	1,119
Early Childhood Development	43 Centers supported (24 new)
Scholarship Program	782
Malnutrition Prevention & Treatment	
Nutritional Rehabilitation Homes	672 children & 594 caretakers
Nutritional Outreach Camps	7,874 children & 2,939 adults
Training for Staff & Medical Students	34
New Life Center	72 children and 46 caretakers
Ankur Counseling Center	543 children served & 587 adults trained
Children's Homes	61 Children (43 at a time)
Totals	Over 20,300 children & youth, 4,100 parents & professionals

Earthquake Disaster Relief Program

On April 27, 2015, an earthquake measuring 7.8 on the Richter scale devastated Nepal, killing over 8,000 people and rendering homeless over 1 million - the largest earthquake ever recorded in Nepal. To expedite relief efforts reaching the populace, the Government of Nepal waived the regulation stipulating that INGO's must fulfill aid programs only through grants to NGO's. This allowed the Nepal Youth Foundation to react immediately in response to the tragedy.

In June 2015, the Board of Directors approved the encompassing Earthquake Disaster Relief Program at \$2.5 million, with Program expenditures to be from funds raised directly for Earthquake Disaster Relief – no funding to be utilized from core General Programs funding. While some initial disaster relief was provided in May and June 2015, during the July 2015 to June 2016 Fiscal Year, NYF focused reconstruction efforts in the following areas:

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Basis of presentation and programs (continued)

Earthquake Disaster Relief Program

Types of Support in Earthquake Reconstruction	Numbers Served
Emergency Support	80,000 people reached
Longer Term Rehabilitation & Reconstruction	14,000 people reached
Scholarships for Children & Youth Displaced by the Earthquake	743
College Scholarships for Students Displaced by the Earthquake	300
Community Nutrition Kitchens	1,100 Children, 1,000 Mothers
Classrooms Reconstruction	88 completed, 34 underway
Reconstruction Skills Training	244 trained, 12 buildings
Winterization (blankets & warm clothing for earthquake survivors)	1,408 blankets/1,591 mattresses
Hospital Support (Paropakar Maternity Hospital)	Ventilators, compressors & equipment

Note 1 - Summary of significant accounting policies

Basis of accounting

NYF prepares its financial statements using the accrual basis of accounting. NYF records revenues when earned and expenses when incurring the related obligations.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and on deposit with commercial banks, available within 90 days of demand. NYF reports cash and cash equivalents at cost. The carrying amount of cash approximates fair value due to its short-term nature.

The Government of Nepal requires entities that operate homes for children to reserve 5% of annual expenditures in separate cash accounts. As of June 30, 2016, NYF set aside \$79,167, included with cash and cash equivalents, investments and board designated net assets herein, which the management of NYF believes to meet the requirements of the Government of Nepal.

Investments

Investments consist principally of debt securities of the U. S. Government and its agencies, equity securities of corporations and shares of registered investment companies (mutual and money market funds). One registered investment company (custodian) holds all investments. NYF records investments at their fair market value and reports interest, dividends, gains, losses and changes in fair market value (unrealized gains and losses), net of custodial fees, as net investment income herein.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Note 1 - Summary of significant accounting policies (continued)

Grants receivable

Grants receivable consist principally of promises to give made by individuals and private foundations. NYF records grants receivable at their fair value, net of an estimated allowance for uncollectible grants. Fair value of grants receivable is the present value of expected future cash flows. NYF amortizes the discount, using the collection method, to grant support herein.

Property and equipment

Property and equipment consist of furniture, office and computer equipment. NYF records property and equipment at cost or fair value for donated items. NYF expenses property and equipment with a cost or fair value under \$1,000 and the cost of maintenance and repairs that does not improve or extend the lives of the property and equipment. NYF computes depreciation using the straight-line method over the estimated useful lives of the property and equipment, ranging from three to five years. Under a General Agreement with the Social Welfare Council (Council) of the Government of Nepal, last renewed for five years effective March 1, 2013, property and equipment acquired by NYF in Nepal shall become the property of the Council or another entity of its choosing at the termination of the Agreement. Accordingly, NYF will expense subsequent acquisitions.

Contributions in-kind

NYF records donated property, equipment and other tangible goods at their estimated fair market value as of the date of the donation. NYF records contributed services, which require a specialized skill and which NYF would have paid for if not donated, at the estimated fair value at the time it receives benefit of the services. NYF also receives donated services that do not require specific expertise, but which are nonetheless central to the operations of NYF.

Contributions and net assets

NYF recognizes contributions when a donor makes an unconditional promise to provide support. Net assets include cumulative unrestricted, temporarily restricted and permanently restricted net assets, net of cumulative expenses. Unrestricted net assets consist of revenue and contributions not restricted to a particular purpose or time by the donor, net of expenses. Temporarily restricted net assets consist of contributions restricted by the donor to a particular purpose or time. Temporarily restricted net assets become unrestricted net assets when NYF meets the donor purpose or time restriction and are reported in the statement of activities and changes in net assets as net assets

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Note 1 - Summary of significant accounting policies (continued)

Contributions and net assets (continued)

released from restrictions. Permanently restricted net assets, of which NYF has none, would consist of contributions restricted by the donor for NYF to hold permanently, allowing for only use of the income generated by the contribution.

Allocation of functional expenses

NYF summarized the costs of providing its programs and other activities on a functional basis herein. Accordingly, NYF allocated certain costs between program and supporting services based on estimates of time and usage. NYF bases indirect expense allocations on the employee time expended on an activity.

NYF operates most of its supporting activities in California and program activities in Nepal. Accordingly, calculation of certain financial statement ratios may skew unfavorably due to significant cost differences between California and Nepal.

Foreign currency translation

NYF translates the financial statements of its activities in Nepal from their functional currencies into U.S. Dollars in conformity with accounting principles generally accepted in the United States. Accordingly, NYF translates all assets and liabilities based on current (year-end) exchange rates and all revenues and expenses based on the average exchange rate during the period. NYF records the resulting translation adjustment as currency translation gain or loss herein.

Income taxes

The Internal Revenue Service (IRS) and State of California Franchise Tax Board approved NYF as exempt from federal income tax under the Internal Revenue Code (IRC) and from California bank and corporation taxes under the California Revenue and Taxation Code. In addition, the IRS approved NYF to receive contributions that qualify for the charitable contribution deduction under the IRC and as a publicly supported organization as described in the IRC. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. Management of NYF concluded that no activities of NYF jeopardized its exemption from income taxes, its classification as a "public charity" or subjected NYF to taxes on unrelated business income. Consequently, NYF did not provide for any income taxes.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Note 1 - Summary of significant accounting policies (continued)

Income taxes (continued)

NYF follows accounting principles generally accepted in the United States relating to the accounting for uncertainty in income taxes. Management believes that NYF has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2012 to 2015 are open for examination by the Internal Revenue Service and years 2011 to 2015 by the California Franchise Tax Board.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported herein. Actual results could differ from those estimated.

Concentrations, credit and market risk

Cash and cash equivalents held by one commercial bank exceeded federal deposit insurance limits at various times during the year ended June 30, 2016. Investments are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the fair value of an investment due to changes in conditions.

Grants receivable are subject to collection risk. Collection risk is the probability that the financial condition of the donor may change, reducing or eliminating the subsequent collection of grants receivable.

During the year ended June 30, 2016, a foundation provided contributions totaling approximately 21% of total support and revenue. During the year ended June 30, 2015, one foundation provided contributions totaling approximately 11% of total support and revenue.

NYF receives certain support and revenue that may be subject to audit or review by the donors. The management of NYF believes that NYF complied with all aspects of the related grant provisions and that disallowed costs, if any, would be immaterial to the financial position of NYF.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Note 1 - Summary of significant accounting policies (continued)

Comparative totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or location. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, read such information in conjunction with the financial statements of NYF as of and for the year ended June 30, 2015, from which NYF derived the summarized information. NYF reclassified certain prior year amounts to conform to the current year presentation.

Fair value measurements

NYF uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority.

NYF values all contributions at fair value when promised. NYF only revalues debt and marketable equity securities at least as often as it presents financial statements. For contributions valued initially at fair value but not revalued, NYF treats the initial fair value as cost in subsequent financial statements.

Subsequent events

NYF evaluated all other subsequent events for recognition and disclosure through May 8, 2017, the date to which these financial statements were available to be issued. Management concluded that no other material subsequent event had occurred since June 30, 2016 that required recognition or disclosure herein.

Note 2 – Investments

As of June 30, 2016 and 2015, investments totaled as follows:

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Note 2 – Investments (continued)

	<u>Level 1</u>	<u>2016</u> <u>Fair value</u>	<u>2015</u> <u>Fair value</u>
Debt securities			
U.S. Government and securities	\$ 304,920	\$ 304,920	\$ 347,104
Municipal bonds	92,127	92,127	51,378
Equity securities			
Corporate	761,035	761,035	1,405,654
Pooled investment funds			
Mutual funds and others	1,761,475	1,761,475	1,501,276
Money market funds	230,586	230,586	163,934
Total investments	<u>\$ 3,150,143</u>	<u>\$ 3,150,143</u>	<u>\$ 3,469,346</u>

During the years ended June 30, 2016 and 2015, investment income totaled as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 98,231	\$ 92,051
Net realized and unrealized appreciation	(167,963)	41,262
Custodial fees	<u>(27,745)</u>	<u>(28,892)</u>
Investment income, net	<u>\$ (97,477)</u>	<u>\$ 104,421</u>

Note 3 – Grants receivable

Grants receivable as of June 30, 2016 and 2015, total as follows:

<u>Donor</u>	<u>2016</u>	<u>2015</u>
Dining for Women	\$ 40,000	\$ -
Gilead Sciences Foundation	-	100,000
The Capital Group	-	32,500
Other	<u>10,500</u>	<u>-</u>
	<u>\$ 50,500</u>	<u>\$ 132,500</u>

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Note 3 – Grants receivable (continued)

Grants receivable totaling \$30,500 and \$20,000 are due in 2017 and 2018, respectively. NYF did not record a discount as the amount is immaterial to the financial statements.

Note 4 – Temporarily restricted net assets

As of and during the year ended June 30, 2016, temporarily restricted net assets reconcile as follows:

<u>Activity</u>	<u>2015</u>	<u>Additions</u>	<u>Releases</u>	<u>2016</u>
Children's Homes	\$ 615,259	\$ 200,969	\$ 745,409	\$ 70,819
Liberating Girls from Indentured Servitude	-	63,123	63,123	-
Nutritional Rehabilitation Homes	5,468	52,609	58,077	-
Schools and Scholarships	149,253	566,789	222,996	493,046
Vocational Counseling	-	359,112	319,112	40,000
Emergency Fund	925,016	-	-	925,016
Earthquake Disaster Relief	968,435	929,719	916,516	981,638
Flood Relief	2,119	-	2,119	-
Organization Consultant	-	-	-	-
Book Project	1,682	15,000	16,141	541
	<u>\$ 2,667,232</u>	<u>\$ 2,187,321</u>	<u>\$ 2,343,493</u>	<u>\$ 2,511,060</u>

Note 5 – Retirement plan

NYF maintains a retirement plan for its employees in Nepal and certain employees of a related organization in Nepal. Eligible employees are entitled to a lump sum, totaling 0.5 to 1.5 months of their then current salary per year of service, depending on the total number of years of service, which NYF pays upon termination, retirement or death.

Eligible employees vest in their share of the retirement plan benefit after completing five years of service. As of June 30, 2016, the estimated retirement plan benefit liability was \$16,989 (2015 - \$8,274).

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2016

Note 6 – Founder’s Day

NYF held its annual special event called Founder’s Day on June 10th. During the year ended June 30, 2016, NYF recorded \$71,685 in gross receipts and \$17,820 in direct expenses, resulting in net contributions of \$53,865.

Note 7 – Commitments and contingencies

NYF rents office space in Sausalito, California on a month-to-month basis. Rental expense for office and program facilities for the year ended June 30, 2016 was \$37,195 (2015 - \$32,811).

NYF has been advised that it is a beneficiary of the proceeds of an estate. NYF expects to receive approximately \$300,000. This amount has not been included in the accompanying financial statements and will not be recognized until the amount can be accurately determined.

Under its Agreement with the Social Welfare Council of the Government of Nepal, NYF must invest a minimum of \$1,500,000 annually in its programs and projects in Nepal through March 1, 2018.