

Nepal Youth Foundation

Combined Financial Statements

Year ended June 30, 2017

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, 2017, 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 \$202,946 as of June 30, 2017, total support and revenues of \$124,520 and total expenses of \$3,505,230 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, 2017, 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, 2016 financial statements and in our report dated May 8, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Wilson Markle Stuckey Hardesty & Bott, LLP
Larkspur, CA
April 19, 2018

Nepal Youth Foundation
 Combined Statement of Financial Position
 As of June 30, 2017 with comparative totals only as of June 30, 2016

	U.S.A.	Nepal	2017 Totals	2016 Totals
Assets				
Current assets				
Cash and cash equivalents	\$ 380,915	\$ 176,155	\$ 557,070	\$ 821,624
Investments, at fair value	2,848,189	-	2,848,189	3,150,143
Grants receivable	351,027	-	351,027	50,500
Inter-agency receivable/payable	99,989	(99,989)	-	-
Other receivables	689	-	689	197
Grants advanced	-	26,743	26,743	43,910
Prepaid expenses	12,932	-	12,932	5,110
Total current assets	3,693,741	102,909	3,796,650	4,071,484
Property and equipment, net	-	-	-	202
Deposits	3,479	48	3,527	2,908
Total assets	\$ 3,697,220	\$ 102,957	\$ 3,800,177	\$ 4,074,594
Liabilities and net assets				
Current liabilities				
Accounts payable	\$ 15,071	\$ 11,820	\$ 26,891	\$ 20,249
Accrued compensation	21,987	-	21,987	20,138
Total current liabilities	37,058	11,820	48,878	40,387
Long-term liabilities				
Pension liability	-	33,344	33,344	16,989
Total liabilities	37,058	45,164	82,222	57,376
Net assets				
Unrestricted				
Undesignated	1,623,395	57,793	1,681,188	1,506,158
Total unrestricted net assets	1,623,395	57,793	1,681,188	1,506,158
Temporarily restricted	2,036,767	-	2,036,767	2,511,060
Total net assets	3,660,162	57,793	3,717,955	4,017,218
Total liabilities and net assets	\$ 3,697,220	\$ 102,957	\$ 3,800,177	\$ 4,074,594

See accompanying notes.

Nepal Youth Foundation
 Combined Statement of Activities and Changes in Net Assets
 As of June 30, 2017 with comparative totals only as of June 30, 2016

	Unrestricted		Temporarily Restricted		2017 Totals	2016 Totals
	U.S.A.	Nepal	U.S.A.			
Support and revenue						
Grants and contributions	\$ 1,574,637	\$ 24,531	\$1,854,975		\$3,454,143	\$3,516,060
Investment income	246,514	-	-		246,514	(97,477)
Annual event, net of direct expenses of \$8,155	52,970	-	-		52,970	53,865
In-kind contributions	1,043	-	-		1,043	-
Other income	440	-	-		440	-
Net assets released from activity restrictions	2,329,268	-	(2,329,268)		-	-
Total support and revenue	4,204,872	24,531	(474,293)		3,755,110	3,472,448
Expenses						
Program services	5,500	3,376,759	-		3,382,259	3,532,333
Supporting services						
Management & Admin	262,705	55,691	-		318,396	326,045
Fundraising	280,938	72,780	-		353,718	275,939
Total expenses	549,143	3,505,230	-		4,054,373	4,134,317
Change in net assets	3,655,729	(3,480,699)	(474,293)		(299,263)	(661,869)
Transfers of net assets	(3,351,594)	3,351,594	-		-	-
Net assets, beginning of year	1,319,260	186,898	2,511,060		4,017,218	4,679,087
Net assets, end of year	\$1,623,395	\$ 57,793	\$2,036,767		\$3,717,955	\$4,017,218

See accompanying notes.

Nepal Youth Foundation

Combined Statement of Functional Expenses

As of June 30, 2017 with comparative totals only as of June 30, 2016

	Program Services				Supporting Services				2016 Totals
	U.S.A.		Nepal		U.S.A.		Nepal		
	U.S.A.	Nepal	U.S.A.	Nepal	U.S.A.	Nepal	U.S.A.	Nepal	
Expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries	-	58,596	136,489	39,573	178,653	49,342	462,653	369,249	50,351
Payroll taxes and benefits	-	7,091	19,274	3,879	25,645	5,191	61,080	85,592	37,195
Professional fees	-	3,024	62,003	839	4,572	-	70,438	9,133	9,605
Occupancy	-	-	20,752	2,893	27,984	-	51,629	5,718	1,570
Communications	-	226	4,161	1,791	5,669	631	12,478	6,668	1,700
Postage and shipping	-	-	1,003	-	5,864	-	6,867	15,150	18,459
Supplies	-	70	1,122	774	2,482	998	5,446	7,211	1,700
Equipment rental and maintenance	-	20	242	1,131	327	-	1,720	1,700	15,150
Insurance	-	-	3,973	579	1,712	404	6,668	7,211	1,700
Taxes, licenses and dues	-	-	114	633	400	-	1,147	1,700	15,150
Bank fees	-	-	9,588	132	1,138	-	10,858	18,459	24,803
Printing and publications	-	-	1,249	355	19,940	419	21,963	16,129	3,185
Travel	-	889	297	3,096	3,233	11,662	19,177	916,516	2,492,330
Promotion	-	-	1,874	16	1,621	1,894	5,405	16,129	3,000
Training	-	-	478	-	1,582	-	2,060	3,185	6,467
Earthquake Disaster Relief	-	-	-	-	-	-	798,576	916,516	6,467
Grants	-	-	-	-	-	-	2,457,758	2,492,330	4,301
U.S. scholarships awarded	5,500	-	-	-	-	-	5,500	3,000	4,301
Direct client support	-	9,474	-	-	-	-	9,474	6,467	4,301
Depreciation and amortization	-	-	86	-	116	-	202	4,301	56,653
Miscellaneous	-	41,035	-	-	-	2,239	43,274	56,653	56,653
Total expenses	\$ 5,500	\$ 3,376,759	\$ 262,705	\$ 55,691	280,938	72,780	\$ 4,054,373	\$ 4,134,317	\$ 4,134,317

See accompanying notes.

Nepal Youth Foundation
Combined Statement of Cash Flows
As of June 30, 2017 with comparative totals only as of June 30, 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (299,263)	\$ (661,869)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributed investments	(490,365)	(577,304)
Net gain on investments	(206,492)	(167,963)
Depreciation and amortization	202	4,301
Changes in current assets and liabilities		
Grants receivable	(300,527)	82,000
Other receivables	(492)	8,533
Grants advanced	17,167	120,378
Prepaid expenses	(7,822)	(115)
Accounts payable	6,642	(21,498)
Accrued compensation	1,849	4,671
	<u>(1,279,101)</u>	<u>(1,208,866)</u>
Cash flows from investing activities		
Sale (Purchase) of investments, net	998,811	1,064,470
Net change in deposits	(619)	293
Net change in pension liability	16,355	8,715
	<u>1,014,547</u>	<u>1,073,478</u>
Change in cash and cash equivalents	(264,554)	(135,388)
Cash and cash equivalents, beginning of year	<u>821,624</u>	<u>957,012</u>
Cash and cash equivalents, end of year	<u>\$ 557,070</u>	<u>\$ 821,624</u>

See accompanying notes.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

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 12,800 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 70% of 2017 NYF graduates secured employment, a remarkable achievement in a country with a youth unemployment rate typically 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, 2017

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, primarily due to lack of knowledge. 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 and others 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 a nurturing environment, these child trauma survivors are empowered to excel and fulfill their dreams. J House (for boys) and K House (for girls) each held only up to 30 children. Since their inception, these homes

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Basis of presentation and programs (continued)

Children's Homes and the Olgapuri Village Project (continued)

were leased, resulting 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 stipulated that the funding for Olgapuri Village be raised separately from the ongoing program funding.

The overall project was expanded in 2015 to include a farm and Vocational Training School facility. The four Residences, housing Junior Boys, Junior Girls, Senior Boys and Senior Girls, opened in September 2016. The Vocational School began offering training in the Spring of 2017.

As of June 30, 2017, the Board-approved Olgapuri Village project plan totals \$3,000,000 and includes:

- 1) Land, access and fees \$728,000.
- 2) Olgapuri Village structures, furnishings, and support equipment \$1,702,000.
- 3) Vocational Training facility, furnishings, and support equipment \$570,000.

Contributions and expenditures over the last five fiscal years:

	<u>Fiscal Year</u> 2012 - 2013	<u>Fiscal Year</u> 2013 - 2014	<u>Fiscal Year</u> 2014 - 2015	<u>Fiscal Year</u> 2015 - 2016	<u>Fiscal Year</u> 2016 - 2017	<u>Fiscal Years</u> 2012 - 2017
Contributions	\$ 905,000	\$ 918,821	\$ 65,656	\$ 515,203	\$ 286,676	\$2,691,356
Expenditures	\$ -	\$ 621,459	\$ 652,759	\$ 798,294	\$ 618,844	\$2,691,356

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.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Basis of presentation and programs (continued)

Children, youth, parents and professionals served (continued)

The \$621,459 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, the project resumed with \$798,294 in construction and outfitting costs. The \$618,844 spent in the Fiscal Year 2016-2017 was for continued building, the construction of a massive stonewall (retaining wall), the drilling of a well and additional outfitting costs. The Children's Residences was completed in September 2016. Olgapuri Village has four residential buildings where we provide a holistic and a nurturing environment for 80 children in total, 20 in each house, and a central dining hall where children eat their meals. A library and a combined lecture hall/home theater are also located in the lower level of the dining building. The Vocational School was opened in Spring 2017, with some final construction and outfitting remaining as of June 30, 2017.

In fiscal year 2016-2017, NYF served an estimated over 13,800 children and youth, and 2,900 parents, caretakers and professionals through our programs. The following table represents the number of children and youth, and professionals served by program:

Program	2016-17 Children, Youth, & Professional Served
Empowering Freed Kamlaris	6,759 children & youth
Vocational Education & Career Counseling	517 children & youth
Early Childhood Development (53 Centers supported 10 new)	1,109 children & youth
Scholarship Program	728 children & youth
Malnutrition Prevention & Treatment	
Nutritional Rehabilitation Homes	636 children/youth & 539 adults/caretakers
Nutritional Outreach Camps	3,995 children/youth & 2,351 adults/caretakers
Training for Staff & Medical Students	26 adults
New Life Center	70 children/youth & 53 adults/caretakers
Children's Homes	80 children/youth
Total	Over 13,800 children & youth, 2,900 parents & professionals

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Basis of presentation and programs (continued)

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 INGOs must fulfill aid programs only through grants to NGOs. 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, the intensive disaster relief program began 2016 Fiscal Year. During the July 2016 to June 2017 Fiscal Year, NYF focused reconstruction efforts in the following areas:

Types of Support in Earthquake Reconstruction	Numbers Served
Scholarships for Children & Youth Displaced by the Earthquake	601
College Scholarships for Students Displaced by the Earthquake	250
Classrooms Reconstruction	100 completed this year
Reconstruction Skills Training	448 trained, 12 buildings

At the close of 2017 Fiscal Year, NYF's remaining earthquake commitment included 601 children and families, who continue to need specialized kinship care support in the aftermath of the disaster.

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.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Note 1 - Summary of significant accounting policies (continued)

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, 2017, NYF set aside \$87,032, 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.

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

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Note 1 - Summary of significant accounting policies (continued)

Property and equipment (continued)

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 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.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Note 1 - Summary of significant accounting policies (continued)

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.

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 2013 to 2016 are open for examination by the Internal Revenue Service and years 2012 to 2016 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.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Note 1 - Summary of significant accounting policies (continued)

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, 2017. 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, 2017, a foundation provided contributions totaling approximately 10% of total support and revenue. During the year ended June 30, 2016, a foundation provided contributions totaling approximately 21% 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.

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, 2016, 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.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Note 1 - Summary of significant accounting policies (continued)

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 April 19, 2018, the date to which these financial statements were available to be issued. On April 2018, NYF signed a new lease agreement for its Sausalito office.

Note 2 – Investments

As of June 30, 2017 and 2016, investments totaled as follows:

	<u>Level 1</u>	<u>2017</u> <u>Fair value</u>	<u>2016</u> <u>Fair value</u>
Debt securities			
U.S. Government and securities	\$ 296,309	\$ 296,309	\$ 304,920
Municipal bonds	88,338	88,338	92,127
Equity securities			
Corporate	759,093	759,093	761,035
Pooled investment funds			
Mutual funds and others	1,529,178	1,529,178	1,761,475
Money market funds	175,271	175,271	230,586
Total investments	<u>\$ 2,848,189</u>	<u>\$ 2,848,189</u>	<u>\$ 3,150,143</u>

During the years ended June 30, 2017 and 2016, investment income totaled as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 61,517	\$ 98,231
Net realized and unrealized appreciation	206,492	(167,963)
Custodial fees	<u>(21,495)</u>	<u>(27,745)</u>
Investment income, net	<u>\$ 246,514</u>	<u>\$ (97,477)</u>

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Note 3 – Grants receivable

Grants receivable as of June 30, 2017 and 2016, total as follows:

<u>Donor</u>	<u>2017</u>	<u>2016</u>
Estate of Klaus Gachter	\$ 200,000	\$ -
Nepal Youth Foundation - UK	131,027	-
Dining for Women	20,000	40,000
Other	-	10,500
	<u>\$ 351,027</u>	<u>\$ 50,500</u>

Note 4 – Temporarily restricted net assets

As of and during the year ended June 30, 2017, temporarily restricted net assets reconcile as follows:

<u>Activity</u>	<u>2016</u>	<u>Additions</u>	<u>Releases</u>	<u>2017</u>
Children's Homes	\$ 70,819	\$ 346,815	\$ 417,634	\$ -
Liberating Girls from Indentured Servitude	-	27,531	27,531	-
Nutritional Rehabilitation Homes	-	324,644	157,822	166,822
Schools and Scholarships	493,046	477,434	576,697	393,783
Vocational Counseling	40,000	244,719	284,719	-
Emergency Fund	925,016	115,000	15,000	1,025,016
Earthquake Disaster Relief	981,638	231,621	798,576	414,683
Kinship Care EQ Long Term	-	37,168	1,245	35,923
Other programs	-	50,043	50,043	-
Book Project	541	-	-	541
	<u>\$ 2,511,060</u>	<u>\$ 1,854,975</u>	<u>\$ 2,329,267</u>	<u>\$ 2,036,768</u>

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

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, 2017, the estimated retirement plan benefit liability was \$33,344 (2016 - \$16,989).

Note 6 – Founder’s Day

NYF held its annual special event called Founder’s Day on June 8th. During the year ended June 30, 2017, NYF recorded \$61,125 in gross receipts and \$8,155 in direct donor benefit costs, resulting in net contributions of \$52,970.

Note 7 – Commitments and contingencies

NYF leases office space in Sausalito, California. The office space is under an operating lease with fixed annual increases that expire on April 30, 2021. Rental expense for office and program facilities for the year ended June 30, 2017 was \$51,629 (2016 - \$37,195). Required future minimum lease payments due during the years ending June 30 total as follows:

2018	\$ 52,024
2019	48,526
2020	49,888
2021	<u>42,540</u>
	<u>\$ 192,978</u>

NYF has been advised that it is a beneficiary of the proceeds of an estate. NYF expects to receive approximately \$131,000. This amount has not been included in the accompanying financial statements and will not be recognized until the amount can be accurately determined.

Nepal Youth Foundation
Notes to Combined Financial Statements
June 30, 2017

Note 7 – Commitments and contingencies (continued)

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. As of report April 19, 2018, the agreement was still under negotiation.