

**Nepal Youth Foundation**

Combined Financial Statements

Year ended June 30, 2019

with

Report of Independent Auditors



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## Report of Independent Auditors

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 the Nepal office of the Nepal Youth Foundation, which comprise the combined statement of financial position as of June 30, 2019, 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 the Nepal office of the Nepal Youth Foundation, registered as an international non-governmental organization, which statements reflect total assets of \$175,581 as of June 30, 2019, total support and revenues of \$18,208 and total expenses of \$2,183,171 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, 2019, 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, 2018 financial statements and in our report dated April 29, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*WMB<sup>2</sup>*

**WMB<sup>2</sup>, LLP**

Larkspur, California  
May 7, 2020

**Nepal Youth Foundation**  
 Combined Statement of Financial Position  
 As of June 30, 2019 with comparative totals only as of June 30, 2018

	U.S.A.	Nepal	2019 Totals	2018 Totals
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 662,399	\$ 175,503	\$ 837,902	\$ 563,697
Short-term investments	941,928	-	941,928	1,185,620
Grants receivable	-	-	-	245,792
Inter-agency receivable/payable	295	(295)	-	-
Other receivables	275	-	275	119
Grants advanced	-	329	329	55,704
Prepaid expenses	14,077	-	14,077	11,528
<b>Total current assets</b>	<b>1,618,974</b>	<b>175,537</b>	<b>1,794,511</b>	<b>2,062,460</b>
Long-term investments	1,016,860	-	1,016,860	1,025,016
Property and equipment, net	3,445	-	3,445	5,325
Other Assets	33,150	-	33,150	33,150
Deposits	2,754	44	2,798	2,850
<b>Total assets</b>	<b>\$ 2,675,183</b>	<b>\$ 175,581</b>	<b>\$ 2,850,764</b>	<b>\$ 3,128,801</b>
<b>Liabilities and net assets</b>				
Current liabilities				
Accounts payable	\$ 23,877	\$ 25,028	\$ 48,905	\$ 17,836
Accrued expenses	24,911	-	24,911	23,464
<b>Total current liabilities</b>	<b>48,788</b>	<b>25,028</b>	<b>73,816</b>	<b>41,300</b>
Long-term liabilities	-	63,526	63,526	58,236
Pension liability	-	63,526	63,526	58,236
<b>Total liabilities</b>	<b>48,788</b>	<b>88,554</b>	<b>137,342</b>	<b>99,536</b>
<b>Net assets</b>				
Without donor restrictions	1,183,335	87,027	1,270,362	1,388,036
With donor restrictions	1,443,060	-	1,443,060	1,641,229
<b>Total net assets</b>	<b>2,626,395</b>	<b>87,027</b>	<b>2,713,422</b>	<b>3,029,265</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,675,183</b>	<b>\$ 175,581</b>	<b>\$ 2,850,764</b>	<b>\$ 3,128,801</b>

See accompanying notes.

**Nepal Youth Foundation**  
 Combined Statement of Activities and Changes in Net Assets  
 For the year ended June 30, 2019 with comparative totals only for the year ended June 30, 2018

	Without donor restrictions		With donor Restrictions		2019 Totals	2018 Totals
	U.S.A.	Nepal	U.S.A.			
Support and revenue						
Grants and contributions	\$ 1,336,089	\$ 734	\$ 1,026,601		\$2,363,424	\$2,327,271
Investment income	52,157	-	8,378		60,535	221,646
Annual event, net of direct expenses of \$11,412	53,615	-	-		53,615	52,451
In-kind contributions	232	-	-		232	33,150
Net assets released from activity restrictions	1,215,674	17,474	(1,233,148)		-	-
<b>Total support and revenue</b>	<b>2,657,767</b>	<b>18,208</b>	<b>(198,169)</b>		<b>2,477,806</b>	<b>2,634,518</b>
Expenses						
Program services	5,500	2,013,075	-		2,018,575	2,573,957
Supporting services						
Management & Admin	286,768	93,895	-		380,663	361,220
Fundraising	318,210	76,201	-		394,411	388,031
<b>Total expenses</b>	<b>610,478</b>	<b>2,183,171</b>	<b>-</b>		<b>2,793,649</b>	<b>3,323,208</b>
Change in net assets	2,047,289	(2,164,963)	(198,169)		(315,843)	(688,690)
Transfers of net assets	(1,974,662)	1,974,662	-		-	-
<b>Net assets, beginning of year</b>	<b>1,110,708</b>	<b>277,328</b>	<b>1,641,229</b>		<b>3,029,265</b>	<b>3,717,955</b>
<b>Net assets, end of year</b>	<b>\$ 1,183,335</b>	<b>\$ 87,027</b>	<b>\$ 1,443,060</b>		<b>\$2,713,422</b>	<b>\$3,029,265</b>

See accompanying notes.

Nepal Youth Foundation

Combined Statement of Functional Expenses

For the year ended June 30, 2019 with comparative totals only for the year ended June 30, 2018

Expenses	Program Services		Supporting Services				2019 Totals	2018 Totals
	U.S.A	Nepal	Management & Admin		Fundraising			
			U.S.A	Nepal	U.S.A	Nepal		
Salaries	\$ -	\$ 59,651	\$ 165,369	\$ 41,114	\$ 193,631	\$ 53,976	\$ 513,741	\$ 92,241
Payroll taxes and benefits	-	6,529	27,230	6,008	33,174	6,207	79,148	55,869
Professional fees	-	2,995	48,794	915	7,966	-	60,670	56,557
Occupancy	-	-	21,898	4,248	27,668	-	53,814	12,951
Communications	-	378	4,596	1,012	6,000	1,133	13,119	9,814
Postage and shipping	-	-	3	-	9,793	-	9,796	5,117
Supplies	-	799	670	908	1,233	277	3,887	1,653
Equipment rental and maintenance	-	-	260	1,040	328	13	1,641	6,318
Insurance	-	-	3,123	220	2,101	256	5,700	3,696
Taxes, licenses and dues	-	-	221	534	2,155	-	2,910	11,834
Bank fees	-	-	10,361	142	1,352	-	11,855	23,006
Printing and publications	-	-	681	90	23,492	40	24,303	20,444
Travel	-	382	1,075	3,029	5,542	13,958	23,986	5,030
Promotion	-	-	314	23	2,232	341	2,910	1,277
Training	-	-	293	-	1,543	-	1,836	220,803
Earthquake Disaster Relief	-	94,150	-	-	-	-	94,150	2,222,664
Grants	-	1,835,579	-	-	-	-	1,835,579	5,500
U.S. scholarships awarded	5,500	-	-	-	-	-	5,500	17,087
Direct client support	-	2,295	-	-	-	-	2,295	313
Depreciation and amortization	-	-	1,880	-	-	-	1,880	32,231
Miscellaneous	-	10,317	-	34,612	-	-	44,929	\$ 3,323,208
<b>Total expenses</b>	<b>\$ 5,500</b>	<b>\$ 2,013,075</b>	<b>\$ 286,768</b>	<b>\$ 93,895</b>	<b>\$ 318,210</b>	<b>\$ 76,201</b>	<b>\$ 2,793,649</b>	

See accompanying notes.

**Nepal Youth Foundation**

Combined Statement of Cash Flows

For the year ended June 30, 2019 with comparative totals for the year ended June 30, 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (315,843)	\$ (688,690)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Contributed investments	(67,802)	(149,831)
Net gain on investments	(27,471)	(172,657)
Depreciation and amortization	1,880	313
Changes in current assets and liabilities		
Grants receivable	245,792	105,235
Other receivables	(156)	570
Grants advanced	55,375	(28,961)
Prepaid expenses	(2,549)	1,404
Other assets	-	(33,150)
Accounts payable	31,069	(9,055)
Accrued expenses	1,447	1,477
	(78,258)	(973,345)
Net cash used by operating activities		
Cash flows from investing activities		
Sale (Purchase) of investments, net	347,121	960,041
Purchase of equipment	-	(5,638)
Net change in deposits	52	677
Net change in pension liability	5,290	24,892
	352,463	979,972
Net cash provided by investing activities		
Change in cash and cash equivalents	274,205	6,627
Cash and cash equivalents, beginning of year	563,697	557,070
Cash and cash equivalents, end of year	\$ 837,902	\$ 563,697

See accompanying notes.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2019

Organization 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 13,000 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 83% of 2019 NYF graduates secured employment, a remarkable achievement in a country where the youth underemployment rate is 35%.

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, 2019

Organization 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. In November 2017, NYF opened specialty built facilities, for the New Life Center, on the grounds of the main NRH in Kathmandu.

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

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2019

Organization and programs (continued)

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

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 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, 2019, 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 in U.S. dollars, translated at the average exchange rate during each year, over the last seven fiscal years are as follows:

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Years
	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2012-2019
Contributions	\$905,000	\$918,821	\$65,656	\$515,203	\$286,676	\$134,295		\$2,825,651
Expenditures	\$0	\$621,459	\$652,759	\$798,294	\$618,844	\$1,141	\$93,118	\$2,785,615

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 June 4, 2018.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2019

Organization and programs (continued)

Children, youth, parents and professionals served (continued)

The \$621,459 spent in Fiscal Year 2013-2014 purchased the land for 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 spent in Fiscal Year 2015-2016. The \$683,886 spent in 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 were 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. Final costs of construction and outfitting were spent in Fiscal Year 2018-2019 and, as of June 30, 2019, the construction project has been completed.

In fiscal year 2018-2019, NYF served an estimated over 9,400 children and youth, and 10,600 parents, caretakers and professionals through our programs. The following table represents the number of children and youth, and adults served by program:

<b>Program</b>	<b>2018-19 Children, Youth, &amp; Professional Served</b>
Empowering Freed Kamlaris	1,384 adults
Vocational Education & Career Counseling	1,127 adults
Early Childhood Development (13 Centers)	345 children & youth
Scholarship Program	1,048 children & youth & 339 adults
Malnutrition Prevention & Treatment	
Nutritional Rehabilitation Homes	857 children/youth & 805 adults/caretakers
Nutritional Outreach Camps	7,005 children/youth & 5,254 adults/caretakers
Training for Staff & Medical Students	1,205 adults
New Life Center	44 children/youth & 33 adults/caretakers
Ankur Counseling Center	411 children/youth & 470 adults/caretakers
Children's Homes	90 children/youth
<b>Total</b>	<b>Over 9,400 children &amp; youth, 10,600 adults, parents &amp; professionals</b>

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2019

Organization 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 2017 to June 2019 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	547

At the close of the 2019 Fiscal Year, NYF's remaining earthquake commitment included 347 children and families, who continue to need specialized kinship care support in the aftermath of the disaster.

Note 1 - Summary of significant accounting policies

Recent accounting pronouncement

Effective July 1, 2018, NYF adopted FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not for Profit Entities*. The new pronouncement changed the presentation of certain information in the financial statements and footnote disclosures.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2019

Note 1 - Summary of significant accounting policies (continued)

Basis of accounting

NYF prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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, 2019, NYF set aside \$34,951, 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.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2019

Note 1 - Summary of significant accounting policies (continued)

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 June 4, 2018, 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. Certain paintings and works of art donated to NYF with a carrying cost of \$33,150 at June 30, 2019, are not depreciated because they are considered to be inexhaustible.

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.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees of NYF may designate some net assets without donor restrictions for certain purposes. Accordingly, NYF segregates its unrestricted net assets between designated and undesignated.

*Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2019

Note 1 - Summary of significant accounting policies (continued)

Net assets (continued)

Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2019 and 2018, NYF did not have net assets that are perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2019

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 2015 to 2018 are open for examination by the Internal Revenue Service and years 2014 to 2018 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, 2019.

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. NYF manages risk to its investments by periodically reviewing investments for compliance with their investment policy and investment returns for comparability to the general market and specific investment class returns.

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, 2019, two foundations provided contributions totaling approximately 22% of total support and revenue. During the year ended June 30, 2018, there were no concentrations.

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, 2019

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, 2018, 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 7, 2020, the date to which these financial statements were available to be issued.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
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Note 2 – Investments

As of June 30, 2019 and 2018, investments totaled as follows:

	<u>Level 1</u>	<u>2019</u> <u>Fair value</u>	<u>2018</u> <u>Fair value</u>
Debt securities			
U.S. Government and securities	\$ -	\$ -	\$ 240,602
Municipal bonds	64,579	64,579	79,907
Equity securities			
Corporate	708,282	708,282	651,436
Pooled investment funds			
Mutual funds and others	1,080,613	1,080,613	1,221,029
Money market funds	105,314	105,314	17,662
Total investments	<u>\$ 1,958,788</u>	<u>\$ 1,958,788</u>	<u>\$ 2,210,636</u>

During the years ended June 30, 2019 and 2018, investment income totaled as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 51,140	\$ 71,551
Net realized and unrealized appreciation	27,471	172,657
Custodial fees	<u>(18,076)</u>	<u>(22,562)</u>
Investment income, net	<u>\$ 60,535</u>	<u>\$ 221,646</u>

Note 3 – Grants receivable

Grants receivable as of June 30, 2019 and 2018, total as follows:

<u>Donor</u>	<u>2019</u>	<u>2018</u>
Estate of Klaus Gachter	\$ -	\$ 110,561
Nepal Youth Foundation - UK	-	120,231
Montrose Education Foundation	-	15,000
	<u>\$ -</u>	<u>\$ 245,792</u>

**Nepal Youth Foundation**  
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Note 4 – Net assets with donor restrictions

As of and during the year ended June 30, 2019, net assets with donor restrictions reconcile as follows:

<u>Activity</u>	<u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>2019</u>
Children's Homes	\$ -	\$ 196,620	\$ 196,620	\$ -
Liberating Girls from Indentured Servitude	-	39,517	32,015	7,502
Nutritional Rehabilitation Homes	126,012	221,526	178,303	169,235
Schools and Scholarships	228,341	89,219	235,611	81,949
Vocational Counseling	-	380,669	380,669	-
Emergency Fund	1,025,016	38,378	46,534	1,016,860
Earthquake Disaster Relief	259,548	77	94,150	165,475
Kinship Care EQ Long Term	-	6,227	6,227	-
Flood Relief	1,771	-	-	1,771
Other programs	-	62,746	62,746	-
Book Project	541	-	273	268
	<u>\$ 1,641,229</u>	<u>\$ 1,034,979</u>	<u>\$ 1,233,148</u>	<u>\$ 1,443,060</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, 2019, the estimated retirement plan benefit liability was \$63,526 (2018 - \$58,236).

**Nepal Youth Foundation**  
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Note 6 – Founder’s Day

NYF held its annual special event called Founder’s Day on June 6th. During the year ended June 30, 2019, NYF recorded \$65,027 in gross receipts and \$11,412 in direct donor benefit costs, resulting in net special event revenue of \$53,615.

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, 2019 was \$53,814 (2018 - \$56,557). Required future minimum lease payments due during the years ending June 30 total as follows:

2020	\$ 49,888
2021	<u>42,540</u>
	<u>\$ 92,428</u>

Under its Agreement with the Social Welfare Council of the Government of Nepal, NYF must invest a minimum of \$2,000,000 annually in its programs and projects in Nepal through June 4, 2023.

Note 8 – Liquidity and availability of financial assets

The following reflects NYF’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.