

**Nepal Youth Foundation**

Combined Financial Statements

Year ended June 30, 2020

with

Report of Independent Auditors



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## Report of Independent Auditors

To the Board of Directors  
of the 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, 2020, 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 \$214,217 as of June 30, 2020, total support and revenues of \$33,992 and total expenses of \$1,916,301 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, 2020, 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, 2019 financial statements and in our report dated May 7, 2020, 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, 2019, 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  
March 16, 2021

**Nepal Youth Foundation**  
 Combined Statement of Financial Position  
 As of June 30, 2020 with comparative totals only as of June 30, 2019

	U.S.A.	Nepal	2020 Totals	2019 Totals
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 641,873	\$ 224,841	\$ 866,714	\$ 837,902
Short-term investments	702,930	-	702,930	941,928
Grants receivable	75,000	-	75,000	-
Inter-agency receivable/payable	11,082	(11,082)	-	-
Other receivables	-	-	-	275
Grants advanced	-	-	-	329
Prepaid expenses	9,101	417	9,518	14,077
<b>Total current assets</b>	<b>1,439,986</b>	<b>214,176</b>	<b>1,654,162</b>	<b>1,794,511</b>
Long-term investments	1,025,352	-	1,025,352	1,016,860
Property and equipment, net	1,566	-	1,566	3,445
Other Assets	33,150	-	33,150	33,150
Deposits	2,710	41	2,751	2,798
<b>Total assets</b>	<b>\$ 2,502,764</b>	<b>\$ 214,217</b>	<b>\$ 2,716,981</b>	<b>\$ 2,850,764</b>
<b>Liabilities and net assets</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 13,928	\$ 114,946	\$ 128,874	\$ 48,905
Accrued expenses	6,622	-	6,622	24,911
Grant advance - Paycheck Protection Program	69,730	-	69,730	-
<b>Total current liabilities</b>	<b>90,280</b>	<b>114,946</b>	<b>205,226</b>	<b>73,816</b>
<b>Long-term liabilities</b>				
Pension liability	-	26,056	26,056	63,526
<b>Total liabilities</b>	<b>90,280</b>	<b>141,002</b>	<b>231,282</b>	<b>137,342</b>
<b>Net assets</b>				
Without donor restrictions	916,536	73,215	989,751	1,270,362
With donor restrictions	1,495,948	-	1,495,948	1,443,060
<b>Total net assets</b>	<b>2,412,484</b>	<b>73,215</b>	<b>2,485,699</b>	<b>2,713,422</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,502,764</b>	<b>\$ 214,217</b>	<b>\$ 2,716,981</b>	<b>\$ 2,850,764</b>

See accompanying notes.

**Nepal Youth Foundation**  
 Combined Statement of Activities and Changes in Net Assets  
 For the year ended June 30, 2020 with comparative totals only for the year ended June 30, 2019

	Without donor restrictions		With donor	2020 Totals	2019 Totals
	U.S.A.	Nepal	Restrictions U.S.A.		
Support and revenue					
Grants and contributions	\$ 1,533,577	\$ 5,871	\$ 589,435	\$ 2,128,883	\$ 2,363,424
Net investment return	68,224	-	8,492	76,716	60,535
Annual event, net of direct expenses of \$0	93,605	-	-	93,605	53,615
In-kind contributions	-	-	-	-	232
Net assets released from activity restrictions	516,918	28,121	(545,039)	-	-
<b>Total support and revenue</b>	<b>2,212,324</b>	<b>33,992</b>	<b>52,888</b>	<b>2,299,204</b>	<b>2,477,806</b>
Expenses					
Program services	37,922	1,801,334	-	1,839,256	2,018,575
Supporting services					
Management & Admin	253,278	56,721	-	309,999	380,663
Fundraising	319,426	58,246	-	377,672	394,411
<b>Total expenses</b>	<b>610,626</b>	<b>1,916,301</b>	<b>-</b>	<b>2,526,927</b>	<b>2,793,649</b>
Change in net assets	1,601,698	(1,882,309)	52,888	(227,723)	(315,843)
Transfers of net assets	(1,868,497)	1,868,497	-	-	-
Net assets, beginning of year	1,183,335	87,027	1,443,060	2,713,422	3,029,265
<b>Net assets, end of year</b>	<b>\$ 916,536</b>	<b>\$ 73,215</b>	<b>\$ 1,495,948</b>	<b>\$ 2,485,699</b>	<b>\$ 2,713,422</b>

See accompanying notes.

**Nepal Youth Foundation**

Combined Statement of Functional Expenses

For the year ended June 30, 2020 with comparative totals only for the year ended June 30, 2019

Expenses	Program Services			Supporting Services			2019 Totals	
	U.S.A.		Nepal	Management & Admin		Fundraising		
	U.S.A.	Nepal	U.S.A.	Nepal	U.S.A.	Nepal		
Salaries	\$ 28,305	\$ 69,731	\$ 130,997	\$ 34,299	\$ 172,262	\$ 46,031	\$ 481,625	
Payroll taxes and benefits	3,953	14,978	21,391	9,298	30,937	8,341	88,898	
Professional fees	300	2,575	61,829	873	12,960	-	78,537	
Occupancy	3,357	-	17,123	4,340	30,376	-	55,196	
Communications	1,573	86	4,198	861	7,446	1,258	15,422	
Postage and shipping	44	-	523	-	6,500	-	7,067	
Supplies	115	73	589	1,083	1,158	147	3,165	
Equipment rental and maintenance	21	-	109	564	194	24	912	
Insurance	187	-	3,741	554	1,696	-	6,178	
Taxes, licenses and dues	5	-	357	1,461	2,830	-	4,653	
Bank fees	-	-	10,032	154	3,335	-	13,521	
Printing and publications	-	12	-	311	22,526	-	22,849	
Travel	1	2,161	76	2,108	1,251	897	6,494	
Promotion	-	-	50	479	24,273	860	25,662	
Training	61	-	383	-	1,682	-	2,126	
Earthquake Disaster Relief	-	-	-	-	-	-	-	
Grants	-	1,699,607	-	-	-	-	1,699,607	
U.S. scholarships awarded	-	-	-	-	-	-	-	
Direct client support	-	590	-	-	-	-	590	
Depreciation and amortization	-	-	1,880	-	-	-	1,880	
Miscellaneous	-	11,521	-	336	-	688	44,929	
<b>Total expenses</b>	<b>\$ 37,922</b>	<b>\$ 1,801,334</b>	<b>\$ 253,278</b>	<b>\$ 56,721</b>	<b>\$ 319,426</b>	<b>\$ 58,246</b>	<b>\$ 2,526,927</b>	
							<b>\$ 2,793,649</b>	

See accompanying notes.

**Nepal Youth Foundation**

Combined Statement of Cash Flows

For the year ended June 30, 2020 with comparative totals only for the year ended June 30, 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (227,723)	\$ (315,843)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Contributed investments	(192,852)	(67,802)
Net gain on investments	(49,979)	(27,471)
Depreciation and amortization	1,880	1,880
Changes in current assets and liabilities		
Grants receivable	(75,000)	245,792
Other receivables	275	(156)
Grants advanced	329	55,375
Prepaid expenses	4,559	(2,549)
Accounts payable	79,968	31,069
Accrued expenses	(18,289)	1,447
Grant advance - Paycheck Protection Program	69,730	-
	(407,102)	(78,258)
Net cash used by operating activities		
Cash flows from investing activities		
Sale (Purchase) of investments, net	473,337	347,121
Net change in deposits	47	52
Net change in pension liability	(37,470)	5,290
	435,914	352,463
Net cash provided by investing activities		
Change in cash and cash equivalents	28,812	274,205
Cash and cash equivalents, beginning of year	837,902	563,697
Cash and cash equivalents, end of year	\$ 866,714	\$ 837,902

See accompanying notes.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

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. After years of vigorous advocacy and anti-bonding campaigns, the government declared its abolition in 2013, ending centuries-old bonded child slavery in Nepal. Our advocacy also persuaded the government to establish a Freed Kamlari Scholarship Fund in 2009, and NYF helped the liberated Kamlaris organize themselves into the Freed Kamlaris Development Forum (FKDF).

In 2013, NYF started the Empowering Freed Kamlaris program, enhancing leadership skills and economic opportunities of these young women through co-operatives and vocational skills training (through NYF's VECC program). Currently, 42 registered co-operatives with 12,949 members are serving former-bonded households and other families in Dang, Banke, Bardiya, Kailali and Kanchanpur districts.

After 20 years of unceasing campaign, and achieving the desired results, we officially withdrew from direct involvement in the program from June 2020. We will however provide minimal 'post - handover support' for two more years, and continue supporting the former Kamlari girls with vocational education for some more years under our VECC program.

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%.

Many young people in Nepal see successful career prospects in skilled trades and entrepreneurship. Though the demand is high for these skills, Nepalese companies often struggle to find local young people possessing the proper skills—so many of these positions are filled by workers from India and other countries.



**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Organization and programs (continued)

Vocational Education and Career Counseling (continued)

Meanwhile, young Nepalese men and women can often only find job prospects beyond their country's borders and far away from family, where language barriers and other factors make them vulnerable to exploitation.

NYF is eager to help young adults in Nepal gain the skills necessary to find gainful employment in growth careers much closer to home. Our Vocational Education & Career Counseling programs offers young Nepalese people pathways to economic mobility—benefiting individuals, families, and communities.

Skill-based Training at Olgapuri Vocational School brings classes of men and women together for 3-month certification programs in electrical, plumbing, carpentry, and welding, with programs shifting to match needs NYF has identified through contacts at major Nepalese companies. Young people may also receive NYF scholarships for earning Vocational Diplomas at long-term technical institutions. Careers may include nursing, engineering, agriculture, the culinary arts, and hotel management.

Scholarship Program

NYF's scholarship program is at the heart of its mission, supporting underprivileged and disabled students from grade school to graduate school. The organization offers more than just financial aid: it gives students personal guidance, housing, medical care, psychological counseling, and supports schools in improving educational infrastructure.

The scholarship is provided in different categories depending on the specific need of the children, such as Day School, Boarding School, College and Kinship Care. The Kinship Care program was developed to support extended family members caring for children without capable parents. Stipends provided to these loving relatives—aunts and uncles, grandparents, or older siblings—cover the costs associated with housing, feeding, clothing, educating, and raising children left without their parents. NYF social workers regularly check in with these families, ensuring that the children are thriving. Outcomes are positive for children in the care of their relatives—stronger, in most cases, than outcomes for children in even the highest-quality orphanages.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Organization and programs (continued)

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 (NRH)** - NYF runs small hospitals (NRHs) that restore severely malnourished children to good health while educating their mothers in nutrition and childcare. Under the supervision of a nutritionist, each child is fed a nutrient-rich diet to allow their bodies to grow strong. During an average of one month stay, caregivers are given lessons in hygiene, food preparation, and nutritional health which are tailored to their individual circumstances, empowering them to maintain the health of their families moving forward. NYF builds and operates the NRHs on the grounds of government hospitals, which draw patients from a wide rural area, and then hands them over to the hospitals after five years.

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

In 2011, NYF expanded our Nutrition program to conduct Outreach Camps in extremely remote villages, reaching thousands more children and families each year with nutritional screening, medical assessments and life-saving intervention to the children as well as nutrition and hygiene education for mothers and young women. Outreach Camps provide communities with critical preventative information and administer life-saving intervention to dangerously malnourished children.

**Training and Capacity Building** - NYF trains staff from the NRH facilities across Nepal as well as medical students, health care providers and other individuals 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.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Organization and programs (continued)

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

Children everywhere need certain things to thrive—stability and structure, love and emotional support, education and positive role models, security, shelter, nutritious food, clothing, medical care, and protection. Unfortunately, through no fault of their own, this quality of care is not available to all children, leaving many to grow and develop in perilous circumstances.

Since 1992, NYF has provided safe homes for some of these children, first through our J & K Houses, and, since 2016, at Olgapuri Children's Village. Olgapuri, or "Olga's little oasis," was built on the principle that each child deserves to grow up in a safe, loving home.

The enclosed campus, located in the Kathmandu Valley, features facilities like a basketball court, a library, a sprawling vegetable garden, and more to encourage physical and mental well-being. Dedicated staff and house parents are involved in each child's development and welfare. The children have access to some of the best schools in Nepal as well as psychological services through NYF's Ankur Counseling Center.

Children live in one of four houses—Junior Girls, Senior Girls, Junior Boys, and Senior Boys—each of which has room for 20 individuals, for a total of up to 80 residents at a time. Each house has a set of "parents" (all married couples) who are supported in providing the personalized attention and loving care each child needs. Additional caretakers help the youngest children with their daily routines. Olgapuri is dedicated to offering these children the best possible opportunities to develop into confident, thriving young adults.

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 & 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.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Organization and programs (continued)

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

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:

	FY 2013-14	FY2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2013-19 Totals
<b>Contributions</b>	\$918,821	\$65,656	\$515,203	\$286,676	\$134,295	\$0	\$1,920,651
<b>Expenditures</b>	\$605,176	\$660,221	\$807,319	\$690,028	\$1,172	\$93,031	\$2,856,947

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.

The \$605,176 spent in Fiscal Year 2013-2014 purchased the land for Olgapuri Village. The \$660,221 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 \$807,319 in construction and outfitting costs spent in Fiscal Year 2015-2016.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Organization and programs (continued)

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

The \$690,028 spent in Fiscal Year 2016-2017 was for continued building, the construction of a massive stone wall (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 2019-2020, NYF served an estimated over 7,600 children and youth, and 10,900 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>2019-20 Children, Youth and Professionals served</b>
Empowering Freed Kamlaris	367 adults
Vocational Education and Career Counseling	4,395 adults
Scholarship Program	496 children/youth & 337 adults
Malnutrition Prevention and Treatment	
Treatment of malnourished children	234 children
Nutritional screening	5,519 children
Training for Staff and Medical Students	5,430
New Life Center	50 children/youth & 26 adults/caretakers
Ankur Counseling Center	203 children/youth & 686 adults/caretakers
Children's Homes	80 children/youth
COVID project	
COVID specific counseling	77 children & 600 adults
Meals provided in the Nutrition Kitchen	85 children & 17 adults
Women served at the NRH Quarantine	10 women
<b>Totals</b>	<b>over 7,600 children &amp; youth, 10,900 adults, parents &amp; professionals</b>

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Organization and programs (continued)

COVID-19 Pandemic Response

In mid-March 2020, NYF began responding to the COVID-19 crisis. It has leveraged its existing facilities, resources, and expertise to address problems caused by economic instability, especially in Nepal's cities.

**Ankur Counseling Center** – Using a remote-work model and conducting programming over the telephone and internet, Ankur has established partnerships with local NGOs serving communities impacted by domestic violence during the pandemic. Ankur staff members provide consulting services and crisis management training to individuals working at these NGOs—a service that has led to the establishment of several crisis hotlines and other resources. Counselors at Ankur have also made mental health services available to frontline health workers throughout Kathmandu Valley to help combat the risk of burnout.

**Community Nutrition Kitchens** - Since June 2020, NYF's Community Nutrition Kitchens have provided hot, nutritious lunches to children in neighborhoods hard-hit by the government-imposed lockdown. NYF's nutrition experts make sure children in these neighborhoods have access to balanced meals at central locations like closed-down schools.

**Lito for Life** – Lito, a nutrient-rich “super flour” made of roasted and ground grains, is distributed to the families of construction and industry workers, daily laborers, owners of small private businesses, and many more, all of whom have been unable to earn wages since the lockdowns began in March 2020. Protein- and vitamin-packed Lito allows them to maintain their health for the duration of the pandemic.

**Emergency Lifeline Halfway Home for Women** – Many Nepalese young people, working abroad in nearby countries, found themselves stranded when the borders closed in March, unable to work and unable to return home. When the Nepalese government can rescue them, everyone must spend 14 days in quarantine before returning to their families. NYF is providing a safe, friendly, women-only quarantine space during this time. These women receive two weeks of housing, safe transportation, PPE, nutritious meals, mental health care, and more until they can return home to their villages.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Note 1 - Summary of significant accounting policies

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 a commercial bank, available within 90 days of demand.

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, 2020, NYF set aside \$47,266, 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 exchange traded funds, mutual funds, debt and equity securities and cash held for investment purposes. One registered investment company (custodian) holds all investments. NYF reports the fair value of investments in exchange traded funds, mutual funds, debt and equity securities with readily determinable fair values. NYF reports all other investments at cost.

Net investment return consists of interest, dividends, realized gains and losses and unrealized appreciation and depreciation, net of custodian and investment management fees. NYF recognizes net investment return when earned.

Grants receivable

Grants receivable, all due within one year, 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, 2020

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, 2020, 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.



**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Note 1 - Summary of significant accounting policies (continued)

*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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2020 and 2019, 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, 2020

Note 1 - Summary of significant accounting policies (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 2016 to 2019 are open for examination by the Internal Revenue Service and years 2015 to 2019 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, 2020.

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, 2020, one foundation provided contributions totaling approximately 11% of total support and revenue. During the year ended June 30, 2019, there were two foundations totaling 22% of 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, 2020

Note 1 - Summary of significant accounting policies (continued)

Comparative totals

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. The prior-year information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, the information should be read in conjunction with NYF's complete financial statements for the year ended June 30, 2019 from which the summarized information was derived. 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 uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, NYF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. NYF only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

Subsequent events

NYF evaluated subsequent events for recognition and disclosure through March 16, 2021, the date to which these financial statements were available to be issued and concluded that no material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in such financial statements.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Note 2 – Investments

As of June 30, 2020, investments totaled as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 179,528	\$ -	\$ -
Exchange traded funds	298,160	298,160	-
Mutual funds			
Bond funds	254,158	254,158	-
Equity funds	<u>143,207</u>	<u>143,207</u>	<u>-</u>
Total mutual funds	397,365	397,365	-
Debt securities			
Municipal bond	<u>42,563</u>	<u>-</u>	<u>42,563</u>
Total debt securities	42,563	-	42,563
Equity securities			
Domestic	740,933	740,933	-
Foreign	<u>69,733</u>	<u>69,733</u>	<u>-</u>
Total equity securities	<u>810,666</u>	<u>810,666</u>	<u>-</u>
Total	<u>\$ 1,728,282</u>	<u>\$ 1,506,191</u>	<u>\$ 42,563</u>

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Note 2 – Investments (continued)

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 105,314	\$ -	\$ -
Exchange traded funds	431,438	431,438	-
Mutual funds			
Bond funds	304,761	304,761	-
Equity funds	<u>344,414</u>	<u>344,414</u>	<u>-</u>
Total mutual funds	649,175	649,175	-
Debt securities			
Municipal bond	<u>64,579</u>	<u>-</u>	<u>64,579</u>
Total debt securities	64,579	-	64,579
Equity securities			
Domestic	647,303	647,303	-
Foreign	<u>60,979</u>	<u>60,979</u>	<u>-</u>
Total equity securities	<u>708,282</u>	<u>708,282</u>	<u>-</u>
Total	<u>\$ 1,958,788</u>	<u>\$ 1,788,895</u>	<u>\$ 64,579</u>

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Note 2 – Investments (continued)

During the years ended June 30, 2020 and 2019, investment income totaled as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 44,755	\$ 51,140
Net realized and unrealized appreciation	49,979	27,471
Custodial fees	<u>(18,018)</u>	<u>(18,076)</u>
Net investment return	<u>\$ 76,716</u>	<u>\$ 60,535</u>

Note 3 – Grants receivable

Grants receivable as of June 30, 2020 and 2019, total as follows:

<u>Donor</u>	<u>2020</u>	<u>2019</u>
Gilead Sciences	<u>\$ 75,000</u>	<u>\$ -</u>
	<u>\$ 75,000</u>	<u>\$ -</u>

Note 4 – Grant advance - Paycheck Protection Program

NYF was granted a \$69,730 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. NYF is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. NYF has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if NYF maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. Payments of principal and interest are deferred for the first six months of the loan. NYF will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments beginning on November 1, 2020. Principal and interest payments will be required through the maturity date, May 3, 2022.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Note 5 – Net assets with donor restrictions

As of and during the year ended June 30, 2020, net assets with donor restrictions reconcile as follows:

<u>Activity</u>	<u>2019</u>	<u>Additions</u>	<u>Releases</u>	<u>2020</u>
Children's Homes	\$ -	\$ 59,706	\$ 59,706	\$ -
Liberating Girls from Indentured Servitude	7,502	-	7,502	-
Nutritional Rehabilitation Homes	169,235	57,774	133,321	93,688
Schools and Scholarships	81,949	204,854	138,517	148,286
Vocational Counseling	-	104,774	104,774	-
Emergency Fund	1,016,860	8,492	-	1,025,352
Earthquake Disaster Relief	165,475	-	-	165,475
Kinship Care EQ Long Term	-	7,781	7,781	-
Flood Relief	1,771	-	-	1,771
COVID -19	-	70,437	24,329	46,108
Other programs	-	49,109	49,109	-
Book and Video Project	268	35,000	20,000	15,268
	<u>\$ 1,443,060</u>	<u>\$ 597,927</u>	<u>\$ 545,039</u>	<u>\$ 1,495,948</u>

Note 6 – 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, 2020, the estimated retirement plan benefit liability was \$26,056 (2019 - \$63,526).

Note 7 – Founder's Day

NYF held its annual special event called Founder's Day on June 6, 2020. During the year ended June 30, 2020, NYF recorded \$93,605 in gross receipts and \$0 in direct donor benefit costs, resulting in net special event revenue of \$93,605.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Note 8 – 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, 2020 was \$55,196 (2019 - \$53,814). Required future minimum lease payments due during the year ending June 30, 2021 total \$42,540.

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 9 – 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.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 866,714	\$ 837,902
Investments	1,728,282	1,958,788
Receivables	<u>75,000</u>	<u>275</u>
	2,669,996	2,796,965
Less those unavailable for general expenditures within one year, due to:		
Donor restricted for specific purpose	<u>1,025,352</u>	<u>1,016,860</u>
	<u>\$ 1,644,644</u>	<u>\$ 1,780,105</u>

As part of its liquidity management, NYF invests cash in excess of daily requirements.



**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2020

Note 10 – Accounting pronouncements - adopted

Effective July 1, 2019, NYF adopted the following pronouncements:

FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The new pronouncement establishes a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. NYF has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made. The new pronouncement assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. NYF has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with implementation of ASU 2018-08.

FASB ASU 2016-01, Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities. This amendment requires, among other things, equity investments to be measured at fair value with changes in fair value recognized in net income. The amendment has been applied retrospectively to all periods presented. The implementation of ASU 2016-01 did not have a material impact on the financial statements.