

**Nepal Youth Foundation**  
Combined Financial Statements  
Year ended June 30, 2013  
with  
Report of Independent Auditors

## Report of Independent Auditors

Board of Directors  
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, 2013, 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 financial statements.

The Nepal Youth Foundation derived the prior year summarized comparative information from its June 30, 2012 financial statements and, in our report dated November 12, 2012, we expressed an unqualified opinion on those 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 \$762,645 as of June 30, 2013, and total support and revenues of \$27,617 and total expenses of \$1,672,097, 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, 2013, 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, 2012 financial statements and in our report dated November 12, 2012, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived

Wilson Markle Stuckey Hardesty & Bott  
December 16, 2013

**Nepal Youth Foundation**  
 Combined Statement of Financial Position  
 June 30, 2013 with comparative totals only as of June 30, 2012

	U.S.A.	Nepal	2013 Totals	2012 Totals
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 377,143	\$ 687,885	\$ 1,065,028	\$ 344,242
Investments, at fair value	3,071,249	–	3,071,249	2,874,460
Grants receivable, net	25,000	–	25,000	60,000
Inter-agency receivable/payable	8,871	(8,871)	–	–
Other receivables	1,296	–	1,296	–
Grants advanced	–	83,425	83,425	30,899
Prepaid expenses	3,434	–	3,434	5,857
<b>Total current assets</b>	<b>3,486,993</b>	<b>762,439</b>	<b>4,249,432</b>	<b>3,315,458</b>
Property and equipment, net	13,623	–	13,623	13,144
Deposits	2,410	206	2,616	2,638
<b>Total assets</b>	<b>\$ 3,503,026</b>	<b>\$ 762,645</b>	<b>\$ 4,265,671</b>	<b>\$ 3,331,240</b>
<b>Liabilities and net assets</b>				
Current liabilities				
Accounts payable	\$ 2,407	\$ 5,627	\$ 8,034	\$ 57,746
Accrued compensation	18,128	–	18,128	10,980
<b>Total current liabilities</b>	<b>20,535</b>	<b>5,627</b>	<b>26,162</b>	<b>68,726</b>
Long-term liabilities				
Pension liability	–	15,811	15,811	–
<b>Total liabilities</b>	<b>20,535</b>	<b>21,438</b>	<b>41,973</b>	<b>68,726</b>
<b>Net assets</b>				
Unrestricted				
Undesignated	605,412	741,207	1,346,619	1,288,416
Board designated	561,045	–	561,045	561,045
<b>Total unrestricted net assets</b>	<b>1,166,457</b>	<b>741,207</b>	<b>1,907,664</b>	<b>1,849,461</b>
Temporarily restricted	2,316,034	–	2,316,034	1,413,053
<b>Total net assets</b>	<b>3,482,491</b>	<b>741,207</b>	<b>4,223,698</b>	<b>3,262,514</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,503,026</b>	<b>\$ 762,645</b>	<b>\$ 4,265,671</b>	<b>\$ 3,331,240</b>

See accompanying notes.

**Nepal Youth Foundation**  
 Combined Statement of Activities and Changes in Net Assets  
 June 30, 2013 with comparative totals only as of June 30, 2012

	Unrestricted		Temporarily	2013 Totals	2012 Totals
	U.S.A.	Nepal	Restricted U.S.A.		
Support and revenue					
Grants and contributions	\$ 769,175	\$ 27,617	\$1,895,972	\$2,692,764	\$1,873,884
Investment income	244,539	—	—	244,539	(75,598)
Annual event, net of direct expenses of \$9,458	20,191	—	—	20,191	—
Other income	—	—	—	—	210
In-kind contributions	18,000	—	—	18,000	—
Net assets released from activity restrictions	992,991	—	(992,991)	—	—
<b>Total support and revenue</b>	<b>2,044,896</b>	<b>27,617</b>	<b>902,981</b>	<b>2,975,494</b>	<b>1,798,496</b>
Expenses					
Program services	—	1,660,350	—	1,660,350	1,781,167
Supporting services					
Management & Admin	251,420	—	—	251,420	361,405
Fundraising	90,793	11,747	—	102,540	30,855
<b>Total expenses</b>	<b>342,213</b>	<b>1,672,097</b>	<b>—</b>	<b>2,014,310</b>	<b>2,173,427</b>
Change in net assets	1,702,683	(1,644,480)	902,981	961,184	(374,931)
Transfers of net assets	(2,360,172)	2,360,172	—	—	—
Currency translation gain	—	—	—	—	4,037
Net assets, beginning of year	1,823,946	25,515	1,413,053	3,262,514	3,633,408
Net assets, end of year	<u>\$1,166,457</u>	<u>\$ 741,207</u>	<u>\$2,316,034</u>	<u>\$4,223,698</u>	<u>\$3,262,514</u>

See accompanying notes.

**Nepal Youth Foundation**  
 Combined Statement of Functional Expenses  
 June 30, 2013 with comparative totals only as of June 30, 2012

Expenses	Program Services		Supporting Services			2013 Totals	2012 Totals
	U.S.A.	Nepal	Management & Admin	Fundraising	Allocated Indirect		
Salaries	\$ -	\$ 73,575	\$ 117,849	\$ 41,710	\$ -	\$ 233,134	\$ 271,735
Payroll taxes and benefits	-	-	9,768	3,787	6,967	20,522	28,272
Professional fees	-	3,033	37,073	1,040	7,444	48,590	73,616
Occupancy	-	6,979	-	-	27,612	34,591	30,715
Communications	-	3,817	-	282	5,344	9,443	8,151
Postage and shipping	-	-	-	3	9,216	9,219	6,773
Supplies	-	1,890	6	-	2,314	4,210	6,390
Equipment rental and maintenance	-	3,194	-	500	1,120	4,814	4,697
Insurance	-	657	-	-	2,628	3,285	6,543
Taxes, licenses and dues	-	-	513	-	-	513	92
Bank fees	-	81	911	10,511	105	11,608	12,970
Printing and publications	-	1,109	120	228	19,887	21,344	25,947
Travel	-	13,868	138	10,716	7,457	32,179	37,120
Promotion	-	-	-	1,928	2,798	4,726	9,258
Training	-	-	218	1,331	1,480	3,029	2,372
Grants	-	1,470,013	-	-	-	1,470,013	1,580,830
Direct client support	-	3,471	-	-	-	3,471	3,549
Depreciation and amortization	-	-	1,951	363	-	2,314	1,150
Miscellaneous	-	78,663	-	642	-	79,305	63,247
In-kind	-	-	12,000	6,000	-	18,000	-
Allocated	-	-	70,873	23,499	(94,372)	-	-
<b>Total expenses</b>	<b>\$ -</b>	<b>\$ 1,660,350</b>	<b>\$ 251,420</b>	<b>\$ 102,540</b>	<b>\$ -</b>	<b>\$ 2,014,310</b>	<b>\$ 2,173,427</b>

See accompanying notes.

**Nepal Youth Foundation**  
 Combined Statement of Cash Flows  
 June 30, 2013 with comparative totals only as of June 30, 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 961,184	\$ (374,931)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Contributed investments	(117,154)	(124,225)
Net gain on investments	184,256	123,304
Depreciation and amortization	2,314	1,150
Changes in current assets and liabilities		
Grants receivable	35,000	(60,000)
Other receivables	(1,296)	10,000
Grants advanced	(52,526)	14,628
Prepaid expenses	2,423	4,178
Accounts payable	(49,712)	38,990
Accrued compensation	7,148	(11,262)
	<u>971,637</u>	<u>( 378,168)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Sale of investments, net	( 263,891)	363,914
Purchase of property and equipment	(2,793)	(11,174)
Net change in deposits	22	48
Net change in pension liability	15,811	—
	<u>(250,851)</u>	<u>352,788</u>
Net cash provided (used) by investing activities		
Currency translation gain	<u>—</u>	<u>4,037</u>
Change in cash and cash equivalents	720,786	(25,380)
Cash and cash equivalents, beginning of year	<u>344,242</u>	<u>365,585</u>
Cash and cash equivalents, end of year	<u>\$ 1,065,028</u>	<u>\$ 344,242</u>

See accompanying notes.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2013

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. In June 2010, NYF changed its name from the Nepalese Youth Opportunity Foundation. NYF is devoted to bringing hope to the most destitute children in the beautiful but impoverished country of Nepal. With a personal touch, NYF provides them with what should be every child's birthright – education, housing, medical care and loving support. The programs of NYF include:

Liberating Girls from Indentured Servitude

In rural Nepal, some families are so impoverished that they sell their daughters to be virtual slaves. Many of these girls are abused, almost none attend school, and some are forced into prostitution. After spending their childhoods as servants, the girls face great challenges learning to support themselves.

NYF has nearly eradicated this inhumane tradition. NYF's Indentured Daughters Program rescues girls from virtual slavery, brings them home to be educated, and empowers them to be self-sufficient. The pioneering program uses a multifaceted approach to free girls who were sold into servitude. For only \$100, NYF liberates a bonded servant, brings her home, gives her family a piglet, goat, or sheep as compensation for her wages, and ensures she can go to school – often for the first time in her life.

NYF is eliminating the inhumane practice of enslaving girls in Nepal through a vigorous public awareness campaign that turns communities against the practice, as well as by rescuing bonded servants. NYF has freed over 12,250 girls since the program began in 2000 and continues to benefit around 9,000 of them in diverse ways. NYF is close to its goal of ending the custom. The program has been so effective that schools in the area began to overflow with former indentured servants. To ensure the girls have access to quality education, NYF constructs classrooms in poorly funded schools. Some of the children NYF rescues are orphans and others are rejected or abused by their families. The organization has placed around 370 of these girls in hostels of local public schools where they are surrounded by other former bonded servants and feel a sense of family.

Now that the vast majority of the bonded girls are free, NYF has shifted its focus from rescuing them to empowering them to be independent and successful. In 2012-2013, 1,463 former bonded servants participated in trainings about topics such as cooperative management, marketing, self-employment, and small business management.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2013

Basis of presentation and programs (continued)

Liberating Girls from Indentured Servitude (continued)

These programs develop their confidence as well as their skills and enable them to start their own businesses. NYF arranged training in political activism and human rights for about 100 of the most dynamic girls who show the greatest potential to become leaders of the movement against bonding. Under the auspices of NYF, many of the girls have been given incentives to form cooperatives that create financial opportunities for themselves and their families. NYF provides seed money for the girls to invest in the coops in order to get started. The Coop members collectively decide how to manage their business and how to use the money to generate income. They also borrow money from the cooperative profits to start individual business ventures. Due to the girls' determination and newfound confidence, as well as the trainings provided, the coops have been extremely successful. To date, liberated girls established 32 cooperatives, which include 15 coops formed during the 2012-2013 fiscal year.

Furthermore, under the auspices of NYF, former indentured servants have formed an NGO called the Freed Kamlari Development Forum (FKDF). NYF trains its members to carry out the awareness campaign against servitude, which NYF started, and since June 2010, all of NYF's work in the public outreach area has been conducted through FKDF. FKDF is now organizing marches and public speeches, as well as mobilizing youth clubs, community leaders, and the media in the campaign to oppose bonded servitude. NYF convinced the government of Nepal to fund the education and vocational training of all formerly bonded girls. Through FKDF and the cooperatives, former indentured daughters have established an extensive network throughout Western Nepal that empowers them to fulfill their dreams.

After 13 years of relentless effort at NYF's leadership, on June 27, 2013 the Government of Nepal was finally compelled to officially abolish the Kamlari system.

Children's Homes

The government of Nepal has virtually no resources for homeless children and nearly one third of children younger than 15 perform child labor. J House and K House are NYF's excellent homes for Nepali children who are orphans, disabled, neglected, or abandoned. In these loving environments, kids are empowered to excel and fulfill their dreams. Since NYF opened J House (for boys) in 1992 and K House (for girls) in 1995, the homes have provided housing, high-quality educations, and loving support for 203 of the most disadvantaged girls and boys in Nepal. They currently house 21 boys and 19 girls, with six new children joining the NYF family in 2012-2013.



**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
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Basis of presentation and programs (continued)

Children's Homes (continued)

NYF provides children with not only living, educational, and medical expenses, but also love, personal attention, and a truly home-like environment – something many of them have never known before. NYF commits to them for the long term, from childhood through college, and provides what is usually the first real sense of security in their lives. Most of the children endured unimaginable traumatic situations before coming to the houses.

In 2012-2013, almost all of them received therapy at NYF's Ankur Counseling Center. The kids have developed close relationships with Ankur's psychologists and many showed marked improvements in their behavior due to the counseling.

Not only do the children at J and K Houses receive excellent care for their wide-ranging physical and psychological problems, they also receive quality educations at private schools. They attend five schools in the area, depending on their age and appropriate school placement. In 2012-2013, all children passed their annual exams and were upgraded to the next class. NYF arranges tutoring and remedial classes for students who need additional academic support. The children enjoy plenty of recreational and enrichment activities, including celebrating holidays and Nepali festivals, an annual combined birthday party for all of the kids, and field trips to go hiking, bicycling and to the zoo. After children at the homes reach age 14 or graduate to the 8<sup>th</sup> grade, they move to NYF's youth hostels, structured specifically for adolescents. The children learn to be more self-sufficient, while NYF continues to provide quality education, emotional support, and all of their other needs. They often visit J and K House on weekends and holidays, to maintain their relationships with the members of their "families." To ensure that the impact of NYF's programs endures, the organization focuses on education. Education gives children opportunities for the rest of their lives, enhancing the society in which they live, and thus improving the world we all share. Additionally, we imbue the children we serve with a strong sense of social responsibility and encourage them to choose paths that enable them to uplift other people of disadvantaged backgrounds. Many of the graduates of J and K House are pursuing careers that enable them to give back to the needy, such as medicine and nursing, social service, and journalism (to raise awareness about social issues). Others are giving back to NYF financially, or helping put their younger siblings through school.

NYF plans to relocate the J and K Houses to a three-acre village complex in the suburbs of Kathmandu. NYF received a single \$900,000 grant from a long-standing

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
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Basis of presentation and programs (continued)

Children's Homes (continued)

Foundation supporter for the land purchase on which the J & K house village will be built. A deposit was made on the land in 2012-2013, and construction is scheduled to begin in the next fiscal year. The project is planned to be completed in 2015.

Schools and Scholarships

Education is the key to breaking free from poverty for destitute, orphaned and disabled children in Nepal. This is especially true for girls, who are often illiterate, married off before they are teenagers, and spend the rest of their lives bearing children and working endless hours. NYF makes education and independence possible for Nepali youngsters who have no other hope. NYF is one of the largest non-governmental providers of scholarships in Nepal, giving scholarships to impoverished children from grade school to graduate school, including disabled children. The organization supplies far more than financial aid – it gives students guidance, housing, medical care, psychological counseling, and loving support. NYF currently runs eight categories of scholarship programs depending on the needs of the children and youth. To date, over 16,000 children ranging from kindergarten through college have received scholarships and educational support. The program also supports physical school infrastructure, educational materials, and teacher training.

In 2012-2013, NYF's scholarship programs made it possible for 628 Nepali children to get an education in day school, boarding school, and college, including many disabled students. These boys and girls are some of the most disadvantaged children on earth. Without the opportunities they can derive from attending school, most would be relegated to a lifetime of backbreaking labor or even begging on the streets.

Nutritional Rehabilitation Home (NRH)

In Nepal, about half the children under five are malnourished and this is a leading cause of death in young children. NYF's Nutritional Rehabilitation Homes (NRHs) are small home-like hospitals throughout Nepal that use an innovative method to restore severely malnourished children to good health while educating their mothers in nutrition and childcare. Mothers share their new parenting skills with family and neighbors after they leave the NRH, multiplying the impact of the program.

NYF opened the first Nutritional Rehabilitation Home in 1998. Since then, the program has treated 11,046 severely malnourished children and educated 17,500 of their parents and guardians. In 2012-2013 alone, the NRHs rescued 1,178 children and

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2013

Basis of presentation and programs (continued)

Nutritional Rehabilitation Home (NRH) (continued)

trained over 2,700 caretakers. In Nepal, the most common cause of malnourishment is lack of awareness of nutrition, rather than poverty. Severely malnourished children come to NRHs with their caretakers (who, in Nepal, are usually their mothers).

Many of these children arrive emaciated and lifeless. The NRHs' nurses, dieticians, and cooks provide medical care and healthy food to restore the youngsters to full weight and health. More than 80% of the patients are younger than five -years -old. At the same time, the staff trains the youngsters' guardians about a wide range of topics including preparing nutritious meals using locally available, inexpensive food; sanitation and hygiene; preventive health care; and how to share this knowledge with others. The daily hands-on training sessions and practical demonstrations are very effective with illiterate and uneducated parents. After an average of five weeks, a happy, healthy child and a newly educated mother return to their home. The mother provides better nutrition for her entire family and shares her knowledge with her relatives and neighbors, extending the effects of the program far beyond the children who receive treatment at the facilities.

After returning home, NRH field staff visit every child at least twice to ensure they are retaining their health and weight. They also provide additional training to the caretakers and refer the children to hospitals or NRHs if they suffer from health problems.

This program has been extremely successful. At the request of the government of Nepal, NYF has built Nutritional Rehabilitation Homes throughout the country. With the exception of the flagship facility in Kathmandu, NYF constructs each NRH on or next to the grounds of a large government hospital. Through an agreement with the government, NYF builds the facilities, hires and trains staff, and gradually transfers management and funding of the operation to the government hospital. After five years, the government is fully responsible for the NRH.

NYF has built 16 NRHs, (three NHRs were under construction in 2012/2013) which can treat 178 children at a time. To date, all but five of the NRHs have been transferred to the government of Nepal. NYF's staff inspected all the NRHs that have crossed the five-year threshold and found that all are adequately funded and effectively managed. NYF's flagship NRH in Kathmandu also serves as a nutritional education center for training dieticians and health care professionals.

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Notes to Combined Financial Statements  
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Basis of presentation and programs (continued)

Psychological Counseling –Ankur Counseling Center

Emotional health is largely neglected in Nepal and psychology is only beginning to gain acceptance despite the many people, especially disabled children, orphans, and homeless youth, who suffer from emotional trauma. NYF's Ankur Counseling Center is a pioneer in psychological therapy for disadvantaged children in Nepal. Ankur also offers a wide range of training for people who work with children and youth.

Since the Ankur Counseling Center began in 2006, its counselors, who hold master's degrees in clinical psychology, have provided psychological counseling to over 3,900 underprivileged children. In 2012-2013, 1,617 people benefited from therapy at the Center. This counseling is enabling children who have endured unimaginable hardships at very young ages to fulfill their potential. In addition to individual counseling, Ankur's therapists run group therapy sessions and workshops for youth. These are particularly beneficial to the boys and girls who live at J and K House, NYF's children's homes, many of whom face similar emotional and behavioral challenges. The therapy sessions teach children about interpersonal relationships, self-esteem, and leadership, and the workshops cover topics such as stress management and drug abuse. Ankur is the first center in Nepal to use Sand Play Therapy, a form of psychological therapy that transcends language and is especially suitable to the needs of children. Ankur's counselors now train other psychologists to use sand play therapy.

The Center complements its psychosocial counseling with a wide range of trainings and workshops for hundreds of people every year. Ankur held training sessions and workshops in 2012-2013 for 360 participants who are para professionals and students in the field of psychology, childcare workers, teachers, and parents, as well as children. Some of the topics are Peer Counseling, Parenting skills, Creative Movement Therapy, Positive Discipline, and Motivational Communication Skills.

Additionally, Ankur offers internships to college students in Nepal who are pursuing degrees in social work. These interns actively participate in many of the activities at the Center and gain a greater understanding of the importance of psychosocial care. Ankur has established a second counseling center in Western Nepal for girls NYF has freed from childhoods spent in indentured servitude. Many of these girls were severely traumatized by their experiences and need professional help to recover emotionally.

NYF trained 45 rescued girls to be peer counselors, and the girls formed 100 support groups with a total of 1,355 members. Ankur's counselors traveled throughout the

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Notes to Combined Financial Statements  
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Basis of presentation and programs (continued)

Psychological Counseling –Ankur Counseling Center (continued)

program area to monitor the support groups and arrange further training for the peer counselors.

The Ankur Counseling Center has made its counseling and other programs available to everyone in the Kathmandu area, with an emphasis on children. The income generated through this counseling partially funds the free treatment for disadvantaged children, helping the Center to eventually become sustainable. The counselors use television and radio to raise awareness about the importance of psychological counseling and encourage people to come to Ankur.

Some of the programs that generate income include a Psychological Care Camp for children and teens during their winter vacation from school, parenting classes that teach parents and teachers how to create child-friendly environments in schools and homes, and specialized training programs for childcare staff.

Vocational Education and Career counseling (VECC)

Vocational counseling is severely lacking in Nepal, and the country's unemployment rate is around a staggering 46%. Higher education is not the same stepping-stone to job opportunities that it is in most Western countries; even people with advanced university degrees have difficulty finding employment.

NYF's pioneering Vocational Education and Career Counseling center (VECC) enables disadvantaged youth to explore their strengths and identify rewarding careers where they can excel. NYF also sponsors children in vocational courses and help them find jobs so they can become self-sufficient.

Since VECC started in 2007, it has provided vocational training to 529 underprivileged youth, 80% of whom are now employed. Additionally, VECC's staff gives career counseling to hundreds of children every year. In 2012-2013, the program sponsored 224 needy youth in vocational training and provided career counseling to several hundred more, in many areas of rural Nepal as well as Kathmandu.

Some young people in Nepal spend years pursuing higher education, only to graduate and find they are unable to find a job. Some employment sectors have a demand for skilled employees, but most young people lack the necessary training in these fields.

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Notes to Combined Financial Statements  
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Basis of presentation and programs (continued)

Vocational Education and Career counseling (VECC) (continued)

For some children, guidance and training in a specific career path is far more helpful than higher education.

The innovative VECC center sponsors children and youth (16-25 years old) in training programs for dozens of different careers, such as website designer, hotel manager, nurse-midwife, electrician, cook, and lab technician, and the number continues to grow. The child and staff together reach the decision for a child to pursue job training rather than higher education, after discussions, structured career counseling, and a number of assessments and tests. NYF has conducted extensive research into vocational schools throughout Nepal. VECC staff identifies the best training program for the child's chosen field, pays for the cost of training, and helps them to find employment following the completion of their course. VECC gives them guidance, helps them network, and sometimes does more – for example, three graduates of a fashion design training course started their own tailoring center with partial financial support from NYF.

In addition to vocational training, VECC provides individual career counseling to needy children. Many of the children supported by NYF are orphans or abandoned by their families. Not only do they lack the family connections that are necessary for getting many jobs in Nepal, they do not know how to go about finding jobs, and many feel insecure about this. VECC teaches them general life skills such as compromise and negotiation, as well as specific skills for searching for employment. Furthermore, many children are not gifted academically but have other abilities, which they can use to get jobs, if only they knew how. VECC helps children explore their strengths and interests in order to identify careers where they can excel.

One challenge that the program has faced is that vocational training is looked down upon in Nepal. VECC staff provides group career counseling and orientation programs about job training to high school students, many of whom are daunted by their bleak employment prospects. The staff describes the wide range of trainings that are available and explains that many trades pay more than the office jobs that college graduates compete for. As a result, more youth are becoming interested in pursuing vocational training.

In 2012-2013, the Vocational Education and Career Counseling center continued to expand. Around 360 girls who NYF rescued from indentured servitude received career

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Basis of presentation and programs (continued)

Vocational Education and Career counseling (VECC) (continued)

counseling and 123 were enrolled in vocational training and some are already employed. The program is exploring possibilities for generating income, and now earns money by providing career counseling and orientations about vocational training at private schools in Kathmandu. NYF plans to expand this approach to other schools and institutions.

The Vocational Education and Career Counseling center enables disadvantaged youth to be self-sufficient. After completing the program, many of the children not only support themselves, but also provide for their destitute families. In a country where unemployment is shockingly high, even among people with university degrees, job counseling and training is a highly effective means to putting young people on a track for life-long success.

New Life Center

NYF's New Life Center is a pioneer in care for children with HIV/AIDS in Nepal. The program provides life-prolonging treatment to children while teaching their caretakers, most of whom also have HIV, to live hygienically and cook nutritious meals. This training dramatically reduces the risk of acquiring the illnesses that make HIV develop into AIDS, and allows infected people lead fulfilling lives. During the months that children and their guardians spend at the New Life Center, they receive free food, housing, and all medical treatment.

HIV/AIDS is a rapidly growing problem in Nepal, fueled by ignorance about HIV prevention and brutal discrimination against people with AIDS. Many children with HIV are forced to leave their schools, and husbands often abandon their wives if they are infected with HIV. Because of this stigma, many people avoid being tested and hide their symptoms of AIDS for as long as possible. According to a U.N. study, more than 80% of Nepalis with HIV have not been diagnosed. Since the New Life Center opened in 2006, it has provided more than 400 HIV-positive children with happy, fulfilling childhoods. Last year, it gave life-saving and life-extending treatment to 88 children and their caretakers.

The New Life Center can house 18 children and their guardians, who live there for several months. It is the only facility in Nepal that uses a comprehensive, holistic approach to helping HIV-positive children.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2013

Basis of presentation and programs (continued)

New Life Center (continued)

Its nurses, nutritionist, doctor, and other staff provide:

- For the children: treatment, education and enriching activities
- For their caretakers: training in nutrition, health, literacy, and income generation
- For both: nutritious meals, 24-hour medical care, and counseling to improve their self-confidence and help them manage the stigma of HIV/AIDS

Most children who are admitted to the Center suffer from health problems such as malnutrition and tuberculosis. Rather than only treating their symptoms, the Center implements a three-pronged approach consisting of clinical therapy, nutritional therapy, and psychological therapy. While the nurses treat the patients' health issues and give anti-retroviral drugs to reduce the effects of HIV infection, the professional nutritionist and cook plan and prepare healthy, meals. Professional psychological counselors help the children and their guardians learn to live with the stigma of HIV/AIDS and improve their self-esteem.

The nurses and nutritionist complement the treatment with a series of educational programs for the caretakers. The topics include nutrition, sanitation and hygiene, the dietary needs of children of different ages, reproductive health, and illnesses that commonly afflict people with HIV. This training enables the parents to avoid many of the diseases that are particularly dangerous to HIV-positive people and to eat a balanced diet using inexpensive, locally available foods to keep themselves and their children as healthy as possible. The children also participate in enrichment activities such as celebrating Nepali festivals and taking trips to the zoo.

After several months, when the patients' health problems have been alleviated and the caretakers are fully trained, they return to their homes. Many live productive lives for years by practicing what they learned at the New Life Center. If they need additional treatment or if their health worsens, they can return to the Center for free follow-up care at any time. The program truly gives new life to children with HIV/AIDS.

The Center's staff has taken initiative to raise money for the program. In addition to requesting donations from visitors and supporters, they print and sell t-shirts and notecards. They formed partnership with Heifer International which contributed cows, who are a source of fresh milk to nourish the children and sell for additional income.



**Nepal Youth Foundation**  
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Basis of presentation and programs (continued)

New Life Center (continued)

The New Life Center's comprehensive care model is a key to its success. Most children arrive at the Center with full-blown AIDS, including illnesses like tuberculosis, malnutrition, and hepatitis, and return home with only HIV, ready to go to school and enjoy a happy childhood. If children with HIV live hygienically, eat a nutritious diet, and try to avoid infections, they can typically expect to lead full and meaningful lives for around 25 years. By that time, it is likely that additional treatments will be available to extend their lives even further.

Note 1 - Summary of significant accounting policies

Basis of accounting

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

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and on deposit with commercial banks, available within 90 days of demand. 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, 2013, NYF set aside \$60,864, 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). 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

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2013

Note 1 - Summary of significant accounting policies (continued)

Grants receivable (continued)

foundations. NYF records grants receivable at their fair value, net of an estimated allowance for uncollectible grants. Fair value of grants receivable is the present value of expected future cash flows. NYF amortizes the discount, using the collection method, to grant support herein.

Property and equipment

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

Contributions in-kind

NYF records donated property, equipment and other tangible goods at their estimated fair 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 market 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. The policy of NYF is to classify as unrestricted revenues all donor restricted amounts

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
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Note 1 - Summary of significant accounting policies (continued)

Contributions and net assets (continued)

that NYF receives and meets the purpose or time restriction within the same fiscal period. Permanently restricted net assets, of which NYF has none, would consist of contributions restricted by the donor for NYF to hold permanently, allowing for only use of the income generated by the contribution.

Allocation of functional expenses

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

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

Foreign currency translation

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

Income taxes

The Internal Revenue Service (IRS) and State of California Franchise Tax Board approved NYF as exempt from federal income tax under the Internal Revenue Code (IRC) and from California bank and corporation taxes under the California Revenue and Taxation Code. In addition, the IRS approved NYF to receive contributions that qualify for the charitable contribution deduction under the IRC and as a publicly supported organization as described in the IRC. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law.

Management of NYF concluded that no activities of NYF jeopardized its exemption from income taxes, its classification as a "public charity" or subjected NYF to taxes on unrelated business income. Consequently, NYF did not provide for any income taxes.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
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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. Adoption of these provisions did not have any impact on NYF's liability for unrecognized tax liabilities. Management believes that NYF has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2009 to 2012 are open for examination by the Internal Revenue Service and years 2008 to 2012 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, 2013. 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.

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, 2012, 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  
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Note 1 - Summary of significant accounting policies (continued)

Fair value measurements (continued)

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.

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.

Management of NYF estimates that the aggregate net fair value of reported financial instruments (including receivable, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

Subsequent events

Currently, the NYF's registered organization in the country of Nepal is an INGO (International Non-Governmental Organization). NYF's programs in Nepal are funded by grants from the Nepal Youth Foundation INGO to "in-country" independent NGO's (Non-Government Organizations) who successfully manage the programs on a day to day basis.

In June, 2013, the Foundation (NYF) commenced the formation of a Nepal Youth Foundation (NYF) affiliated NGO (Non-Governmental Organization) in the country of Nepal. The major steps in the formation, registration, approval and enabling of the Nepal Youth Foundation (NYF) NGO were as follows:

- Formation papers drawn up for the Nepal Youth Foundation (NYF) NGO - June 18, 2013.
- Registration of the Nepal Youth Foundation (NYF) NGO with the District Administration Office in Lalitpur, Nepal - Registration Number 3775/069 - June 28, 2013.
- Official approval by the Government of Nepal Social Welfare Council Affiliation No. 37444 of the Nepal Youth Foundation (NYF) NGO - July 2, 2013.
- First Board of Directors Meeting for the Nepal Youth Foundation (NYF) NGO - July 4, 2013.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2013

Note 1 - Summary of significant accounting policies (continued)

Subsequent events (continued)

- Transfer date for those designated, existing programs to the Nepal Youth Foundation (NYF) NGO - August 1, 2013.
- Transfer date for those employees responsible for managing and implementing the designated, existing programs to the Nepal Youth Foundation (NYF) NGO from other in-country non-affiliated NGO's - August 1, 2013.
- Bank accounts opened for the Nepal Youth Foundation (NYF) NGO to enable day to day operations and program management - August 8, 2013.

Thus, for the upcoming Fiscal Year of 2013 - 2014, the Nepal Youth Foundation will:

1. Carry-out and manage programs in Nepal directly through the Nepal Youth Foundation (NYF) affiliate NGO.
2. Continue to carry-out and manage programs in Nepal with direct grants from the Nepal Youth Foundation (NYF) INGO to other independent NGO's.

NYF evaluated all other subsequent events for recognition and disclosure through December 16, 2013, the date to which these financial statements were available to be issued. Management concluded that no other material subsequent event had occurred since June 30, 2013 that required recognition or disclosure herein.

Note 2 – Investments

As of June 30, 2013 and 2012, investments totaled as follows:

	<u>Level 1</u>	<u>2013</u> <u>Fair value</u>	<u>2012</u> <u>Fair value</u>
Debt securities			
U.S. Government and securities	\$ 238,028	\$ 238,028	\$ 250,434
Municipal bonds	54,191	54,191	54,926
Equity securities			
Corporate	978,100	978,100	897,643
Pooled investment funds			
Mutual funds and others	1,488,357	1,488,357	1,366,472
Money market funds	312,573	312,573	304,985
Total investments	<u>\$ 3,071,249</u>	<u>\$ 3,071,249</u>	<u>\$ 2,874,460</u>

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2013

Note 2 – Investments (continued)

During the years ended June 30, 2013 and 2012, investment income totaled as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 83,900	\$71,051
Net realized gain (loss) and unrealized appreciation (depreciation)	184,611	(123,304)
Custodial fees	<u>( 23,972)</u>	<u>( 23,345)</u>
Investment income, net	<u>\$244,539</u>	<u>\$(75,598)</u>

Note 3 – Temporarily restricted net assets

As of and during the year ended June 30, 2013, temporarily restricted net assets reconcile as follows:

<u>Activity</u>	<u>2012</u>	<u>Additions</u>	<u>Releases</u>	<u>2013</u>
Children's Homes	\$ -	\$1,008,580	\$ (102,830)	\$ 905,750
Liberating Girls from Indentured Servitude	287,304	201,684	(207,920)	281,068
Nutritional Rehabilitation Homes	58,126	368,544	(342,469)	84,201
Schools and Scholarships	102,527	186,416	(228,053)	60,890
Vocational Counseling	40,080	130,748	(111,719)	59,109
General	<u>925,016</u>	<u>-</u>	<u>-</u>	<u>925,016</u>
Total	<u>\$1,413,053</u>	<u>\$1,895,972</u>	<u>\$ (992,991)</u>	<u>\$2,316,034</u>

Note 4 – 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, 2013, the estimated

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
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Note 4 – Retirement plan (continued)

retirement plan benefit liability was \$15,811. As of June 30, 2012, the estimated retirement plan benefit was a prepaid of \$1,025. In previous years, NYF did not calculate the liability in accordance with accounting principles generally accepted in the United States; however, during the year ended June 30, 2013 management recorded a reclassification of the retirement plan benefit from net assets to pension liability. Management of NYF believes that this treatment conforms with the accounting principles generally accepted in the United States.

Note 5 – Commitments and contingencies

NYF rents office space in Sausalito under a non-cancelable operating lease that expires April 30, 2014. Rental expense for office and program facilities for the year ended June 30, 2013 was \$27,612 (2012 - \$27,635). Future minimum payments under non-cancelable operating leases for the years ending June 30 are as follows:

2014	<u>22,000</u>
Total lease commitments	<u>\$ 22,000</u>

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, 2017.