

**Nepal Youth Foundation**

Combined Financial Statements

Year ended June 30, 2015

with

Report of Independent Auditors

CERTIFIED PUBLIC  
ACCOUNTANTS

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

To the Board of Directors  
of Nepal Youth Foundation

We have audited the accompanying combined financial statements of the Nepal Youth Foundation (a nonprofit organization) and affiliates, which comprise the combined statement of financial position as of June 30, 2015, 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.

***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 \$421,691 as of June 30, 2015, total support and revenues of \$10,317 and total expenses of \$3,203,275 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, 2015, 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, 2014 financial statements and in our report dated November 14, 2014, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Wilson Markle Stuckey Hardesty & Bott, LLP  
Larkspur, CA  
January 25, 2016

**Nepal Youth Foundation**  
 Combined Statement of Financial Position  
 As of June 30, 2015 with comparative totals only as of June 30, 2014

	U.S.A.	Nepal	2015 Totals	2014 Totals
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 699,801	\$ 257,211	\$ 957,012	\$ 1,062,789
Investments, at fair value	3,469,346	-	3,469,346	3,569,174
Grants receivable	132,500	-	132,500	60,245
Other receivables	8,730	-	8,730	-
Grants advanced	-	164,288	164,288	38,795
Prepaid expenses	4,995	-	4,995	4,342
<b>Total current assets</b>	<b>4,315,372</b>	<b>421,499</b>	<b>4,736,871</b>	<b>4,735,345</b>
Property and equipment, net	4,503	-	4,503	9,969
Deposits	3,009	192	3,201	3,275
<b>Total assets</b>	<b>\$ 4,322,884</b>	<b>\$ 421,691</b>	<b>\$ 4,744,575</b>	<b>\$ 4,748,589</b>
<b>Liabilities and net assets</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 25,911	\$ 15,836	\$ 41,747	\$ 17,982
Accrued compensation	15,467	-	15,467	14,768
<b>Total current liabilities</b>	<b>41,378</b>	<b>15,836</b>	<b>57,214</b>	<b>32,750</b>
<b>Long-term liabilities</b>				
Pension liability	-	8,274	8,274	28,292
<b>Total liabilities</b>	<b>41,378</b>	<b>24,110</b>	<b>65,488</b>	<b>61,042</b>
<b>Net assets</b>				
<b>Unrestricted</b>				
Undesignated	1,614,274	397,581	2,011,855	2,277,976
<b>Total unrestricted net assets</b>	<b>1,614,274</b>	<b>397,581</b>	<b>2,011,855</b>	<b>2,277,976</b>
Temporarily restricted	2,667,232	-	2,667,232	2,409,571
<b>Total net assets</b>	<b>4,281,506</b>	<b>397,581</b>	<b>4,679,087</b>	<b>4,687,547</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,322,884</b>	<b>\$ 421,691</b>	<b>\$ 4,744,575</b>	<b>\$ 4,748,589</b>

See accompanying notes.

**Nepal Youth Foundation**  
 Combined Statement of Activities and Changes in Net Assets  
 As of June 30, 2015 with comparative totals only as of June 30, 2014

	Unrestricted		Temporarily	2015 Totals	2014 Totals
	U.S.A.	Nepal	Restricted U.S.A.		
Support and revenue					
Grants and contributions	\$ 1,088,202	\$ 10,317	\$2,328,136	\$3,426,655	\$2,765,064
Investment income	104,421	-	-	104,421	442,905
Annual event, net of direct expenses of \$18,641	65,932	-	-	65,932	55,812
In-kind contributions	-	-	-	-	-
Net assets released from activity restrictions	2,070,475	-	(2,070,475)	-	-
<b>Total support and revenue</b>	<b>3,329,030</b>	<b>10,317</b>	<b>257,661</b>	<b>3,597,008</b>	<b>3,263,781</b>
Expenses					
Program services	11,000	3,084,165	-	3,095,165	2,286,572
Supporting services					
Management & Admin	204,010	45,220	-	249,230	208,019
Fundraising	187,183	73,890	-	261,073	305,341
<b>Total expenses</b>	<b>402,193</b>	<b>3,203,275</b>	<b>-</b>	<b>3,605,468</b>	<b>2,799,932</b>
Change in net assets	2,926,837	(3,192,958)	257,661	(8,460)	463,849
Transfers of net assets	(3,312,755)	3,312,755	-	-	-
Net assets, beginning of year	2,000,192	277,784	2,409,571	4,687,547	4,223,698
Net assets, end of year	<u>\$1,614,274</u>	<u>\$ 397,581</u>	<u>\$2,667,232</u>	<u>\$4,679,087</u>	<u>\$4,687,547</u>

See accompanying notes.

**Nepal Youth Foundation**

Combined Statement of Functional Expenses

As of June 30, 2015 with comparative totals only as of June 30, 2014

	Program Services			Management & Admin			Supporting Services			2015 Totals	2014 Totals
	U.S.A		Nepal	U.S.A		Nepal	Fundraising		Nepal		
	U.S.A	Nepal	U.S.A	Nepal	U.S.A	Nepal	U.S.A	Nepal			
Expenses											
Salaries	\$ -	\$ 46,509	\$ -	\$ 76,721	\$ 29,866	91,027	45,747	\$ -	\$ 289,870	\$ 274,359	
Payroll taxes and benefits	-	4,889	-	12,538	2,243	14,682	4,972	-	39,324	49,232	
Professional fees	-	4,549	-	58,253	693	17,939	-	-	81,434	55,939	
Occupancy	-	-	-	14,182	2,954	15,675	-	-	32,811	30,754	
Communications	-	466	-	3,679	718	4,537	1,856	-	11,256	10,171	
Postage and shipping	-	-	-	2,937	-	4,885	-	-	7,822	9,710	
Supplies	-	1,427	-	1,624	991	1,595	2,641	-	8,278	6,340	
Equipment rental and maintenance	-	-	-	142	1,722	157	-	-	2,021	2,202	
Insurance	-	-	-	2,743	873	1,550	-	-	5,166	3,304	
Taxes, licenses and dues	-	-	-	185	699	19	-	-	903	7,361	
Bank fees	-	-	-	19,879	132	3,241	-	-	23,252	10,947	
Printing and publications	-	35	-	831	411	26,008	822	-	28,107	22,300	
Travel	-	4,045	-	3,842	1,039	2,885	14,930	-	26,741	52,300	
Promotion	-	3	-	-	48	1,193	572	-	1,816	4,394	
Training	-	1,784	-	1,413	1,213	1,365	762	-	6,537	2,385	
Earthquake Disaster Relief	-	-	-	-	-	-	-	-	492,361	-	
Grants	-	492,361	-	-	-	-	-	-	2,464,331	2,195,688	
U.S. scholarships awarded	11,000	-	-	-	-	-	-	-	11,000	33,216	
Direct client support	-	1,310	-	-	150	-	-	-	1,460	1,880	
Depreciation and amortization	-	-	-	5,041	-	425	-	-	5,466	6,083	
Miscellaneous	-	62,456	-	-	1,468	-	1,588	-	65,512	21,367	
<b>Total expenses</b>	<b>\$ 11,000</b>	<b>\$ 3,084,165</b>	<b>\$ 204,010</b>	<b>\$ 45,220</b>	<b>\$ 187,183</b>	<b>\$ 73,890</b>	<b>\$ 3,605,468</b>	<b>\$ 2,799,932</b>			

See accompanying notes.

**Nepal Youth Foundation**  
**Combined Statement of Cash Flows**  
As of June 30, 2015 with comparative totals only as of June 30, 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (8,460)	\$ 463,849
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributed investments	(288,066)	(212,425)
Net gain on investments	41,262	394,614
Depreciation and amortization	5,466	6,083
Changes in current assets and liabilities		
Grants receivable	( 72,255)	25,000
Other receivables	(8,730)	(58,949)
Grants advanced	(125,493)	44,630
Prepaid expenses	(653)	(908)
Accounts payable	23,765	9,948
Accrued compensation	699	(3,360)
	<u>(432,465)</u>	<u>668,482</u>
Net cash (used) provided by operating activities		
Cash flows from investing activities		
Sale (Purchase) of investments, net	346,632	(680,114)
Purchase of equipment	-	(2,429)
Net change in deposits	74	(659)
Net change in pension liability	(20,018)	12,481
	<u>326,688</u>	<u>(670,721)</u>
Net cash provided (used) by investing activities		
Change in cash and cash equivalents	( 105,777)	(2,239)
Cash and cash equivalents, beginning of year	<u>1,062,789</u>	<u>1,065,028</u>
Cash and cash equivalents, end of year	<u>\$ 957,012</u>	<u>\$ 1,062,789</u>

See accompanying notes.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

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. The Nepal Youth Foundation offers hope and opportunity to Nepal's most impoverished children by providing them what is every child's birthright: vital healthcare, education and a safe environment. The programs of NYF are:

Empowering Freed Kamlaris

NYF launched the *Indentured Daughters Program* in 2000 with the goal of ending the practice of *Kamlari*, the system in which girls from desperately poor families were sold into domestic slavery. Since then, NYF has rescued over 12,300 girls and returned them to their home communities. NYF's new *Empowering Freed Kamlaris* program (EFK) is helping the rescued girls become independent young women with several programs:

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

**Economic Development** through the use of business co-ops.

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

**Psychological Support** through peer counseling and monthly support groups.

Vocational Education and Career Counseling

Since our *Vocational Education and Career Counseling* program (VECC) began in 2007, VECC has counseled and trained thousands of young people in a variety of trades. More than 80% of NYF graduates are now employed, a remarkable achievement in a country with an unemployment rate of 46%.

Early Childhood Development

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

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Basis of presentation and programs (continued)

Scholarship Program

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

Malnutrition Prevention and Treatment

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

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

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

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

New Life Center

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

Ankur Counseling Center

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



**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Basis of presentation and programs (continued)

Children's Homes and the Olgapuri Village Project

NYF has created two of the best children's homes in Nepal. J House and K House are NYF's excellent homes for Nepali children who are orphans, disabled, or abandoned. These children are the most vulnerable in Nepal. In these loving environments, kids are empowered to excel and fulfill their dreams. J House (for boys) and K House (for girls) each hold only up to 30 children. Since their inception, these homes have been leased. This situation results in periodic disruption due to lease expirations and relocations. In 2013, the Board of Directors approved a project to grant monies to its affiliate in Nepal specifically earmarked for the purchase of land and construction of new and permanent J and K Houses. The complex is titled Olgapuri (Olga's Little Oasis) in honor of Olga Murray, the founder of the Nepal Youth Foundation. The Board approval stipulates that the funding for Olgapuri Village be raised separate from the ongoing program funding. The Board approved Olgapuri Village project plan totals \$2,358,000 and includes:

- 1) Land, access and fees \$728,000.
- 2) Olgapuri Village structures, furnishings, and support equipment \$1,165,000.
- 3) Vocational Training facility, furnishings, and support equipment \$465,000.

Contributions and expenditures over the last three fiscal years:

	<u>Fiscal Year</u> 2012 - 2013	<u>Fiscal Year</u> 2013 - 2014	<u>Fiscal Year</u> 2014 - 2015	<u>Three year</u> 2012 - 2015
Contributions	\$ 905,000	\$ 918,821	\$ 65,656	\$1,889,477
Expenditures	\$ -	\$ 621,459	\$ 652,759	\$1,274,218

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

The \$620,961 spent in Fiscal Year 2013-2014 was for land, which will be the site of the Olgapuri Village. The \$652,759 spent in Fiscal Year 2014-2015 was primarily for the residences, dining hall and vocational training buildings. Due to earthquake disruption, Olgapuri Village is now scheduled for completion by year-end 2016.

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Basis of presentation and programs (continued)

Children, youth and professionals served

In fiscal year 2014-2015, NYF served an estimated 15,451 children and youth, and 909 professionals through our programs. The following table represents the number of children and youth, and professionals served by program:

<b>Program</b>	<b>2014-15 Children, Youth and Professionals served</b>
Empowering Freed Kamlaris	Over 8,000
Vocational Education and Career Counseling	1,436
Early Childhood Development	18 centers
Scholarship Program	779, including 246 college scholarships
Malnutrition Prevention and Treatment	
Nutritional Rehabilitation Homes	1,174 at NYF's NRHs
Nutritional Outreach Camps - screenings	2,629
Training for Staff and Medical Students	849
New Life Center	83
Ankur Counseling Center	1,307 children were served and 60 adults participated in training
Children's Homes	43
<b>Totals</b>	<b>over 15,451 children, youth and 909 professionals served</b>

Earthquake Disaster Relief Program

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

In the two months following the earthquake, the Nepal Youth Foundation raised \$1,460,797 from over 2,200 donors. Included in the 2,200 donors are over 1,500 first time donors. We are sincerely grateful to all who donated, and all who continue to donate to this immense challenge.

In June 2015, the Board of Directors approved the encompassing Earthquake Disaster Relief Program at \$2.5 million. The Program expenditures will only be from funds raised directly for Earthquake Disaster Relief – no funds will be utilized from our core General Programs funding. During the months of May and June, NYF focused immediate relief efforts in the following areas:

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Note 1 - Summary of significant accounting policies

Earthquake Disaster Relief Program (continued)

- Relief Support and Materials & Supplies Distribution
- Support to Hospitals
- Recovery Shelters, Family Shelters, and Transit Homes
- Children's Day Care & Learning Center
- School Reconstruction
- Community Nutrition Kitchen

Total expenditures during the months of May and June were \$492,361.

Basis of accounting

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

Cash and cash equivalents

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

The Government of Nepal requires entities that operate homes for children to reserve 5% of annual expenditures in separate cash accounts. As of June 30, 2015, NYF set aside \$72,812, included with cash and cash equivalents, investments and board designated net assets herein, which the management of NYF believes to meet the requirements of the Government of Nepal.

Investments

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

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Note 1 - Summary of significant accounting policies (continued)

Grants receivable

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

Property and equipment

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

Contributions in-kind

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

Contributions and net assets

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

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Note 1 - Summary of significant accounting policies (continued)

Contributions and net assets (continued)

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

Allocation of functional expenses

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

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

Foreign currency translation

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

Income taxes

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

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Note 1 - Summary of significant accounting policies (continued)

Income taxes (continued)

NYF follows accounting principles generally accepted in the United States relating to the accounting for uncertainty in income taxes. Management believes that NYF has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2011 to 2014 are open for examination by the Internal Revenue Service and years 2010 to 2014 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, 2015. Investments are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the fair value of an investment due to changes in conditions.

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

During the year ended June 30, 2015, a foundation provided contributions totaling approximately 11% of total support and revenue. During the year ended June 30, 2014, one trust provided contributions totaling approximately 28% of total support and revenue.

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

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Note 1 - Summary of significant accounting policies (continued)

Comparative totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or location. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, read such information in conjunction with the financial statements of NYF as of and for the year ended June 30, 2014, from which NYF derived the summarized information. NYF reclassified certain prior year amounts to conform to the current year presentation.

Fair value measurements

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

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

Subsequent events

NYF evaluated all other subsequent events for recognition and disclosure through January 25, 2016, 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, 2015 that required recognition or disclosure herein.

Note 2 – Investments

As of June 30, 2015 and 2014, investments totaled as follows:

**Nepal Youth Foundation**  
Notes to Combined Financial Statements  
June 30, 2015

Note 2 – Investments (continued)

	<u>Level 1</u>	<u>2015</u> <u>Fair value</u>	<u>2014</u> <u>Fair value</u>
Debt securities			
U.S. Government and securities	\$ 347,104	\$ 347,104	\$ 391,823
Municipal bonds	51,378	51,378	53,151
Equity securities			
Corporate	1,405,654	1,405,654	1,386,485
Pooled investment funds			
Mutual funds and others	1,501,276	1,501,276	1,491,234
Money market funds	163,934	163,934	246,481
Total investments	<u>\$ 3,469,346</u>	<u>\$ 3,469,346</u>	<u>\$ 3,569,174</u>

During the years ended June 30, 2015 and 2014, investment income totaled as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 92,051	\$74,646
Net realized gain and unrealized appreciation	41,262	394,614
Custodial fees	( 28,892)	( 26,355)
Investment income, net	<u>\$104,421</u>	<u>\$442,905</u>

Note 3 – Temporarily restricted net assets

As of and during the year ended June 30, 2015, temporarily restricted net assets reconcile as follows:



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Note 3 – Temporarily restricted net assets (continued)

<u>Activity</u>	<u>2014</u>	<u>Additions</u>	<u>Releases</u>	<u>2015</u>
Children's Homes	\$ 1,202,862	\$ 180,306	\$ 767,909	\$ 615,259
Liberating Girls from Indentured Servitude	2,126	39,426	41,552	-
Nutritional Rehabilitation Homes	67,266	156,096	217,894	5,468
Schools and Scholarships	134,274	246,740	231,761	149,253
Vocational Counseling	62,277	201,942	264,219	-
Emergency Fund	925,016	-	-	925,016
Earthquake Disaster Relief	-	1,460,797	492,362	968,435
Flood Relief	-	37,829	35,710	2,119
Organization Consultant	-	5,000	5,000	-
Book Project	15,750	-	14,068	1,682
	<u>\$ 2,409,571</u>	<u>\$ 2,328,136</u>	<u>\$ 2,070,475</u>	<u>\$ 2,667,232</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, 2015, the estimated retirement plan benefit liability was \$8,274 (2014 - \$28,292).

Note 5 – Founder's Day

NYF held its annual special event called Founder's Day on June 5th. During the year ended June 30, 2015, NYF recorded \$84,573 in gross receipts and \$18,641 in direct expenses, resulting in net contributions of \$65,932.

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Note 6 – Commitments and contingencies

NYF rents office space in Sausalito under a non-cancelable operating lease that expires March 31, 2016. Rental expense for office and program facilities for the year ended June 30, 2015 was \$32,811 (2014 - \$30,754). Future minimum payments under the non-cancelable operating lease for the year ending June 30, 2015 totals \$24,210.

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