



**THE AMERICAN
HIMALAYAN FOUNDATION**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

THE AMERICAN HIMALAYAN FOUNDATION

(A California Not-For-Profit Corporation)
December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
The American Himalayan Foundation**

We have audited the accompanying financial statements of the American Himalayan Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities and changes in net assets, and cash flows for the years 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, the financial statements referred to above present fairly, in all material respects, the financial position of American Himalayan Foundation as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

May 2, 2017
Danville, California

Regalia & Associates

THE AMERICAN HIMALAYAN FOUNDATION

Statements of Financial Position December 31, 2016 and 2015

	December 31,	
	2016	2015
Assets		
Cash and cash equivalents	\$ 3,147,613	\$ 2,536,470
Investments	7,283,610	6,824,214
Pledges receivable	1,438,000	2,815,700
Accounts receivable and other	9,973	510
Contributed Tibetan chests	10,000	10,000
Himalaya books	3,072	3,132
Life insurance, cash surrender value	1,807,301	1,552,876
Total assets	\$ 13,699,569	\$ 13,742,902
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 15,433	\$ 29,293
Accrued employee vacation payable	146,426	132,022
Grants payable	309,104	447,170
Total liabilities	470,963	608,485
Net assets:		
Unrestricted	11,565,559	10,714,820
Temporarily restricted	1,663,047	2,419,597
Total net assets	13,228,606	13,134,417
Total liabilities and net assets	\$ 13,699,569	\$ 13,742,902

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Statements of Activities and Changes in Net Assets Years ended December 31, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:								
Contributions	2,669,577	1,537,515	-	4,207,092	3,099,009	3,968,553	-	7,067,562
Special events	608,672	-	-	608,672	833,286	-	-	833,286
Investment income	460,630	-	-	460,630	824,321	-	-	824,321
Gain (loss) from sale of donated securities	(1,856)	-	-	(1,856)	3,388	-	-	3,388
Gain (loss) from life insurance performance	218,229	-	-	218,229	(59,971)	-	-	(59,971)
Net assets released from restrictions	2,294,065	(2,294,065)	-	-	2,577,789	(2,352,789)	(225,000)	-
Total revenues, gains and other support	6,249,317	(756,550)	-	5,492,767	7,277,822	1,615,764	(225,000)	8,668,586
Expenses:								
Program Expenses:								
I. Education								
1. Stop Girl Trafficking/In Honor of Amar College Fund	1,100,824	-	-	1,100,824	1,327,675	-	-	1,327,675
2. Homes and Education for Orphans, Street Kids and Disabled Children	199,364	-	-	199,364	181,014	-	-	181,014
3. Tibetan College Scholarships	39,535	-	-	39,535	37,695	-	-	37,695
4. Medical Training, Ladakh	12,123	-	-	12,123	11,639	-	-	11,639
6. Other Scholarships	14,537	-	-	14,537	12,052	-	-	12,052
II. Hospitals and Clinics, Nepal	280,000	-	-	280,000	260,000	-	-	260,000
III. Mustang								
1. Day Care Centers and Education	101,888	-	-	101,888	78,517	-	-	78,517
2. Cultural Heritage Conservation: Gompa Restoration	53,897	-	-	53,897	140,361	-	-	140,361
3. Cultural Heritage Conservation: Monastic Education, Tibetan Teachers, Festival	85,333	-	-	85,333	79,114	-	-	79,114
4. Health Care	49,050	-	-	49,050	39,809	-	-	39,809
5. Community, Youth Group and Public Works Projects	43,014	-	-	43,014	-	-	-	-
6. Lo Gyalpo Foundation Oversight	3,029	-	-	3,029	1,441	-	-	1,441
IV. Everest Area: Education, Health Care, Cultural Conservation, Infrastructure	61,988	-	-	61,988	58,042	-	-	58,042

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Statements of Activities and Changes in Net Assets Years ended December 31, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
V. Tibetan Refugees, Nepal and India								
1. K-12 Education: Schools and Hostels	61,856	-	-	61,856	63,534	-	-	63,534
2. Care for Elders	86,785	-	-	86,785	87,545	-	-	87,545
3. Nunneries and Other Cultural Conservation	22,051	-	-	22,051	20,924	-	-	20,924
4. Community and Infrastructure Projects	1,709	-	-	1,709	840	-	-	840
5. Livelihood Development	(2,226)	-	-	(2,226)	(1,109)	-	-	(1,109)
6. Health Care	3,100	-	-	3,100	6,378	-	-	6,378
VI. In Tibet: Health Care, Infrastructure, Education, Elders, Cultural Conservation	210,370	-	-	210,370	184,846	-	-	184,846
VII. Livelihood Development, Nepal	18,726	-	-	18,726	94,369	-	-	94,369
VIII. Saving Wildlife	119,994	-	-	119,994	146,598	-	-	146,598
IX. Nepal Earthquake Relief, Recovery & Rebuilding								
1. Emergency Relief	3,500	-	-	3,500	102,180	-	-	102,180
2. STOP Girl Trafficking Earthquake Expansion	203,604	-	-	203,604	457,404	-	-	457,404
3. Recovery and Rebuilding: Schools, Hospitals & Clinics, Elder Homes, Community Buildings & Infrastructure	518,897	-	-	518,897	958,559	-	-	958,559
X. Kathmandu Based Technical Support	363,993	-	-	363,993	373,850	-	-	373,850
XI. Program Technical Assistance	279,689	-	-	279,689	258,856	-	-	258,856
XII. Program Oversight	512,506	-	-	512,506	477,029	-	-	477,029
XIII. Currency Fluctuation	(5,517)	-	-	(5,517)	(10,090)	-	-	(10,090)
Total program expenses	4,443,619	-	-	4,443,619	5,449,072	-	-	5,449,072
Special event expenses direct	185,505	-	-	185,505	159,870	-	-	159,870
Other fundraising expenses	540,896	-	-	540,896	505,574	-	-	505,574
Total fundraising expenses	726,401	-	-	726,401	665,444	-	-	665,444
Management and general administrative expenses	228,558	-	-	228,558	220,670	-	-	220,670
Total expenses	5,398,578	-	-	5,398,578	6,335,186	-	-	6,335,186
Increase (decrease) in net assets	850,739	(756,550)	-	94,189	942,636	1,615,764	(225,000)	2,333,400
Net assets at beginning of year	10,714,820	2,419,597	-	13,134,417	9,772,184	803,833	225,000	10,801,017
Net assets at end of year	11,565,559	1,663,047	-	13,228,606	10,714,820	2,419,597	-	13,134,417

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Statements of Cash Flows Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 94,189	\$ 2,333,400
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
(Gain) on sale of donated securities	(1,856)	(3,388)
Depreciation and amortization	-	13,422
Contributed securities	(2,069,362)	(126,168)
Changes in operating assets and liabilities:		
Decrease (increase) in pledges receivable	1,377,700	(431,273)
(Increase) decrease in accounts receivable and other	(9,463)	4,396
Decrease in Himalaya book inventory	60	66
(Increase) decrease in life insurance cash surrender value	(254,425)	354
(Decrease) increase in accounts payable	(13,860)	990
Increase in accrued employee vacation payable	14,404	13,077
(Decrease) increase in grants payable	(138,066)	151,604
(Decrease) in deferred rent credit	-	(6,260)
Net cash (used for) provided by operating activities	(1,000,679)	1,950,220
Cash flows from investing activities:		
Sale of donated securities	2,071,218	129,556
Purchase of investments	(459,396)	(6,824,214)
Net cash provided by (used for) investing activities	1,611,822	(6,694,658)
Net increase (decrease) in cash and cash equivalents	611,143	(4,744,438)
Cash and cash equivalents at beginning of year	2,536,470	7,280,908
Cash and cash equivalents at end of year	\$ 3,147,613	\$ 2,536,470
Supplemental disclosure for noncash operating activities		
Donated securities	\$ 2,069,362	\$ 126,168

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Notes to Financial Statements December 31, 2016 and 2015

1. Organization

The American Himalayan Foundation (AHF) is a private not-for-profit corporation dedicated to helping the people and ecology of the Himalayas. AHF was founded in 1981 to respond to some of the basic problems affecting the people living in the Himalayan region, supporting vital education, health care, and cultural and environmental preservation throughout the Himalayan region. AHF also helps Tibetans with their struggle to survive and maintain their culture. Funds are raised primarily through contributions and special events. AHF has received rulings from the Internal Revenue Service under Section 501(c)(3) and the State of California Franchise Tax Board under RTC Section 23701d granting exemption from federal income and state franchise taxation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of AHF have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities. Many of AHF's disbursements are converted to local Himalayan currency. However, all financial results reflected in the financial statements are reported in United States dollars.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, AHF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Revenue Recognition

AHF records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities and changes in net assets as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include savings, cash deposits and money market accounts with maturity dates of three months or less. Occasionally, AHF is the recipient of donated securities. Investments and other securities received by gift are recorded at market value at the date of contribution in accordance with ASC 958.320, *Investments – Debt and Equity Securities of Not For Profit Organizations*. AHF converts such securities to liquid assets, and any realized gains or losses are separately stated on the statements of activities and changes in net assets.

Furniture, Equipment and Leasehold Improvements

Property and equipment purchased by AHF are recorded at cost or, if donated, at the approximate fair value at the date of donation. Repairs and maintenance are charged to expense as incurred. Furniture and equipment is depreciated using the straight-line method over the estimated useful lives of the assets (primarily three to seven years). Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

Investments

AHF follows the provisions of ASC 958.321, *Not-for-Profit Entities - Investments* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that AHF could realize in a current market exchange.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, AHF is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that AHF has adequately evaluated its current tax positions and has concluded that as of December 31, 2016 and 2015, AHF does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

AHF has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. AHF may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, AHF calculates and accrues the applicable taxes payable.

Contributed Services

Volunteers donate a substantial amount of time to AHF. While significant in value, these services are not recorded in the financial statements since such time is not susceptible to objective measurement or valuation in accordance with ASC 958.30 *Gifts in Kind*.

Functional Allocation of Expenses

The costs of providing AHF's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, administrative and overhead costs have been allocated among the programs and supporting services benefited.

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Notes to Financial Statements

3. Cash and Cash Equivalents

Included in cash and cash equivalents of \$3,147,613 and \$2,536,470 at December 31, 2016 and 2015, respectively, were funds on deposit with financial institutions that were in excess of the amounts covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is satisfactorily strong and that AHF's financial position will not be compromised.

Certain funds totaling \$826,639 and \$1,290,041 at December 31, 2016 and 2015, respectively, were housed in noninterest-bearing depository checking accounts at a local financial institution.

4. Investments and Fair Value Measurements

Investments consist of the following at December 31:

		2016	2015
Private investment fund	[Level 3]	\$ 4,242,037	\$ 4,054,499
Mutual fund	[Level 1]	3,041,573	2,769,715
Total investments		<u>\$ 7,283,610</u>	<u>\$ 6,824,214</u>

As noted above, investments are classified as either Level 1 or level 3 assets. Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. The investment classified as level 3 above is based on the estimated value of the underlying ownership interests.

5. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of the following at December 31:

	2016	2015
Office furniture	\$ 46,428	\$ 46,428
Computer equipment	23,302	23,302
Leasehold improvements	220,503	220,503
Accumulated depreciation and amortization	(290,233)	(290,233)
Furniture, equipment and leasehold improvements	<u>\$ -</u>	<u>\$ -</u>

Depreciation and amortization expense amounted to \$13,422 for the year ended December 31, 2015. There was no depreciation expense for the year ended December 31, 2016. There were no disposals of furniture, equipment and leasehold improvements during the years ended December 31, 2016 and 2015.

Notes to Financial Statements

6. Receivables

Pledges receivable of \$1,438,000 and \$2,815,700 at December 31, 2016 and 2015, respectively, are due within one year from the date of the statement of financial position and management considers all amounts to be fully collectible.

Accounts receivable and other of \$9,973 and \$510 at December 31, 2016 and 2015, respectively, are due within one year from the date of the statement of financial position and management considers all amounts to be fully collectible.

Management has evaluated the collectability of all receivables and has determined there is no need to establish an allowance for doubtful accounts at December 31, 2016 and 2015. All receivables are considered to be level 2 assets.

7. Related Party Transactions

Richard C. Blum is Chairman of AHF, Blum Capital Partners, LP (Blum Capital) and Richard C. Blum and Associates, Inc. (affiliates).

Richard C. Blum, in part through the Blum Family Foundation, contributed \$3,220,179 and \$2,372,471 to AHF during the years ended December 31, 2016 and 2015, respectively. Of the 2016 amount, \$2,500,000 was for Richard C. Blum's 2015 pledge receivable. Of the 2015 amount, \$2,372,471 was for Richard C. Blum's 2014 pledge receivable. In the aggregate, contribution revenue for the thirteen-year period ended December 31, 2016 from such related parties covers in excess of 100% of management and general and other fundraising expenses of AHF.

Blum Capital advances payments to AHF's vendors and personnel for services necessary to accomplish the charitable goals of AHF. These services include providing office space, permitting the use of equipment and supplies; and providing administrative support. AHF reimburses Blum Capital for these expenses on a monthly basis. Such expense reimbursements represented 12% and 12% of AHF's general program service, fundraising, and management and general administrative expenses in 2016 and 2015, respectively.

8. Life Insurance, Cash Surrender Value

In February 2003, Richard C. Blum arranged for a \$10 million whole-life insurance policy to be taken out on his life with AHF as the beneficiary and owner of the policy.

The \$205,642 premiums have been paid for the years ended December 31, 2016 and 2015. The cash surrender value of the life insurance policy amounted to \$1,807,301 and \$1,552,876 as of December 31, 2016 and 2015, respectively. The balance is stated net of fees, premiums and unrealized appreciation (diminution) on the value of the underlying investments. Fees and premiums were included in management and general administrative expenses on the statements of activities and changes in net assets.

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Notes to Financial Statements

9. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, AHF is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued employee vacation payable amounted to \$146,426 and \$132,022 at December 31, 2016 and 2015, respectively.

10. Net Assets

Temporarily Restricted

AHF recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Restricted for projects	<u>\$ 1,663,047</u>	<u>\$ 2,419,597</u>

Contributions to temporarily restricted net assets amounted to \$1,537,515 and \$3,968,553 for the years ended December 31, 2016 and 2015, respectively. Net assets released from restrictions amounted to \$2,294,065 and \$2,352,789 for the years ended December 31, 2016 and 2015, respectively.

Unrestricted

Unrestricted net assets of \$11,747,602 and \$10,714,820 at December 31, 2016 and 2015, respectively, represent the cumulative net surpluses of AHF since its inception.

11. Retirement Plan

All qualified AHF employees participate in a retirement plan qualified under Internal Revenue Code Section 401(k). The plan has certain eligibility requirements and accepts rollover contributions, allows hardship distributions, and is otherwise regulated by Federal statutes which are periodically modified by Congress. AHF contributed \$23,652 and \$22,701 on behalf of participating employees to the plan for the years ended December 31, 2016 and 2015, respectively.

12. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, AHF has evaluated subsequent events through May 2, 2017, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.