



**THE AMERICAN  
HIMALAYAN FOUNDATION**

**FINANCIAL STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

# THE AMERICAN HIMALAYAN FOUNDATION

(A California Not-For-Profit Corporation)  
December 31, 2017 and 2016

## CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10



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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, 2017 and 2016 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, 2017 and 2016, 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.

July 9, 2018  
Danville, California

# THE AMERICAN HIMALAYAN FOUNDATION

## Statements of Financial Position December 31, 2017 and 2016

	December 31,	
	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 4,862,444	\$ 3,147,613
Investments	9,540,120	7,283,610
Pledges receivable	21,619	1,438,000
Accounts receivable and other	15,926	9,973
Contributed Tibetan chests	10,000	10,000
Himalaya books	297	3,072
Furniture, equipment and leasehold improvements, net	4,384	-
Life insurance, cash surrender value	2,093,870	1,807,301
Total assets	\$ 16,548,660	\$ 13,699,569
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 21,847	\$ 15,433
Accrued employee vacation payable	151,935	146,426
Grants payable	551,382	309,104
Total liabilities	725,164	470,963
Net assets:		
Unrestricted	14,354,237	11,565,559
Temporarily restricted	1,469,259	1,663,047
Total net assets	15,823,496	13,228,606
Total liabilities and net assets	\$ 16,548,660	\$ 13,699,569

# THE AMERICAN HIMALAYAN FOUNDATION

## Statements of Activities and Changes in Net Assets Years ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenues, gains and other support:						
Contributions	\$ 2,478,878	\$ 1,868,069	\$ 4,346,947	\$ 2,669,577	\$ 1,537,515	\$ 4,207,092
Special events	594,055	-	594,055	608,672	-	608,672
Investment income	2,271,756	-	2,271,756	460,630	-	460,630
Gain (loss) from sale of donated securities	18,175	-	18,175	(1,856)	-	(1,856)
Gain from life insurance performance	263,143	-	263,143	218,229	-	218,229
Net assets released from restrictions	2,061,857	(2,061,857)	-	2,294,065	(2,294,065)	-
Total revenues, gains and other support	<u>7,687,864</u>	<u>(193,788)</u>	<u>7,494,076</u>	<u>6,249,317</u>	<u>(756,550)</u>	<u>5,492,767</u>
Expenses:						
Program Expenses:						
I. Education						
1. STOP Girl Trafficking/In Honor of Amar College Fund	1,098,005	-	1,098,005	1,100,824	-	1,100,824
2. Homes and Education for Orphans, Street Kids and Disabled Children	162,590	-	162,590	199,364	-	199,364
3. Tibetan College Scholarships	38,120	-	38,120	39,535	-	39,535
4. Medical Training, Ladakh	-	-	-	12,123	-	12,123
5. Other Scholarships	6,361	-	6,361	14,537	-	14,537
II. Hospitals and Clinics, Nepal	283,650	-	283,650	280,000	-	280,000
III. Mustang						
1. Day Care Centers and Education	101,008	-	101,008	101,888	-	101,888
2. Cultural Heritage Conservation: Gompa Restoration	154,804	-	154,804	53,897	-	53,897
3. Cultural Heritage Conservation: Monastic Education, Tibetan Teachers, Festival	99,505	-	99,505	85,333	-	85,333
4. Health Care	60,345	-	60,345	49,050	-	49,050
5. Community, Youth Group and Public Works Projects	45,839	-	45,839	43,014	-	43,014
6. Lo Gylapo Foundation Oversight	2,900	-	2,900	3,029	-	3,029
IV. Everest Area: Education, Health Care, Cultural Conservation, Infrastructure	34,266	-	34,266	61,988	-	61,988

See accompanying auditors' report and notes to financial statements

Page 3

# THE AMERICAN HIMALAYAN FOUNDATION

## Statements of Activities and Changes in Net Assets Years ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
V. Tibetan Refugees, Nepal and India						
1. K-12 Education: Schools and Hostels	\$ 47,393	\$ -	\$ 47,393	\$ 61,856	\$ -	\$ 61,856
2. Care for Elders	103,106	-	103,106	86,785	-	86,785
3. Nunneries and Other Cultural Conservation	23,062	-	23,062	22,051	-	22,051
4. Community and Infrastructure Projects	8,361	-	8,361	1,709	-	1,709
5. Livelihood Development	63,244	-	63,244	(2,226)	-	(2,226)
6. Health Care	14,415	-	14,415	3,100	-	3,100
VI. In Tibet: Health Care, Infrastructure, Education, Elders, Cultural Conservation	67,400	-	67,400	210,370	-	210,370
VII. Livelihood Development, Nepal	29,998	-	29,998	18,726	-	18,726
VIII. Saving Wildlife	105,337	-	105,337	119,994	-	119,994
IX. Nepal Earthquake Relief, Recovery & Rebuilding						
1. Emergency Relief	-	-	-	3,500	-	3,500
2. STOP Girl Trafficking Earthquake Expansion	48,791	-	48,791	203,604	-	203,604
3. Recovery and Rebuilding: Schools, Hospitals & Clinics, Elder Homes, Community Buildings & Infrastructure	85,120	-	85,120	518,897	-	518,897
X. Kathmandu Based Technical Support	375,421	-	375,421	363,993	-	363,993
XI. Program Technical Assistance	261,880	-	261,880	279,689	-	279,689
XII. Program Oversight	501,745	-	501,745	512,506	-	512,506
XIII. Currency Fluctuation	3,643	-	3,643	(5,517)	-	(5,517)
Total program expenses	<u>3,826,309</u>	<u>-</u>	<u>3,826,309</u>	<u>4,443,619</u>	<u>-</u>	<u>4,443,619</u>
Special event expenses direct	203,218	-	203,218	185,505	-	185,505
Other fundraising expenses	541,923	-	541,923	540,896	-	540,896
Total fundraising expenses	<u>745,141</u>	<u>-</u>	<u>745,141</u>	<u>726,401</u>	<u>-</u>	<u>726,401</u>
Management and general administrative expenses	327,736	-	327,736	228,558	-	228,558
Total expenses	<u>4,899,186</u>	<u>-</u>	<u>4,899,186</u>	<u>5,398,578</u>	<u>-</u>	<u>5,398,578</u>
Increase (decrease) in net assets	2,788,678	(193,788)	2,594,890	850,739	(756,550)	94,189
Net assets at beginning of year	11,565,559	1,663,047	13,228,606	10,714,820	2,419,597	13,134,417
Net assets at end of year	<u>\$ 14,354,237</u>	<u>\$ 1,469,259</u>	<u>\$ 15,823,496</u>	<u>\$ 11,565,559</u>	<u>\$ 1,663,047</u>	<u>\$ 13,228,606</u>

See accompanying auditors' report and notes to financial statements

Page 4

# THE AMERICAN HIMALAYAN FOUNDATION

## Statements of Cash Flows Years ended December 31, 2017 and 2016

	2017	2016
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 2,594,890	\$ 94,189
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Loss (gain) on disposition of donated securities	18,175	(1,856)
Depreciation and amortization	1,348	-
Contributed securities	(3,025,714)	(2,069,362)
Changes in operating assets and liabilities:		
Decrease in pledges receivable	1,416,381	1,377,700
Increase in accounts receivable and other	(5,953)	(9,463)
Decrease in Himalaya book inventory	2,775	60
Increase in life insurance cash surrender value	(286,569)	(254,425)
Increase (decrease) in accounts payable	6,414	(13,860)
Increase in accrued employee vacation payable	5,509	14,404
Increase (decrease) increase in grants payable	242,278	(138,066)
Net cash provided by (used for) operating activities	969,534	(1,000,679)
<b>Cash flows from investing activities:</b>		
Acquisition of Furniture, equipment and leasehold improvements	(5,732)	-
Sale of donated securities	3,007,539	2,071,218
Reinvestment of investment earnings and unrealized gains	(2,256,510)	(459,396)
Net cash provided by investing activities	745,297	1,611,822
Net Increase in cash and cash equivalents	1,714,831	611,143
Cash and cash equivalents at beginning of year	3,147,613	2,536,470
Cash and cash equivalents at end of year	\$ 4,862,444	\$ 3,147,613
Supplemental disclosure for noncash operating activities		
Donated securities	\$ 3,025,714	\$ 2,069,362

# THE AMERICAN HIMALAYAN FOUNDATION

## Notes to Financial Statements December 31, 2017 and 2016

### 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.



# THE AMERICAN HIMALAYAN FOUNDATION

## 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, 2017 and 2016, 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.

# THE AMERICAN HIMALAYAN FOUNDATION

## Notes to Financial Statements

### 3. Cash and Cash Equivalents

Included in cash and cash equivalents of \$4,862,444 and \$3,147,613 at December 31, 2017 and 2016, 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 \$604,745 and \$826,639 at December 31, 2017 and 2016, 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:

		2017	2016
Private investment fund	[Level 3]	\$ 6,107,587	\$ 4,242,037
Mutual fund	[Level 1]	3,432,533	3,041,573
Total investments		<u>\$ 9,540,120</u>	<u>\$ 7,283,610</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:

	2017	2016
Office furniture	\$ 46,428	\$ 46,428
Computer equipment	29,034	23,302
Leasehold improvements	220,503	220,503
Accumulated depreciation and amortization	(291,581)	(290,233)
Furniture, equipment and leasehold improvements	<u>\$ 4,384</u>	<u>\$ -</u>

Depreciation expense amounted to \$1,348 for the year ended December 31, 2017. 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, 2017 and 2016.

**Notes to Financial Statements**

**6. Receivables**

Pledges receivable of \$21,619 and \$1,438,000 at December 31, 2017 and 2016, respectively, are due within one year from the date of the statements of financial position and management considers all amounts to be fully collectible.

Accounts receivable and other of \$15,926 and \$9,973 at December 31, 2017 and 2016, respectively, are due within one year from the date of the statements 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, 2017 and 2016. 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 \$3,278,617 and \$3,220,179 to AHF during the years ended December 31, 2017 and 2016, respectively. Of the 2017 amount, \$1,438,000 was for Richard C. Blum's 2016 pledge receivable. Of the 2016 amount, \$2,500,000 was for Richard C. Blum's 2015 pledge receivable. In the aggregate, contribution revenue for the fourteen-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 11% and 12% of AHF's general program service, fundraising, and management and general administrative expenses in 2017 and 2016, 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, 2017 and 2016. The cash surrender value of the life insurance policy amounted to \$2,093,870 and \$1,807,301 as of December 31, 2017 and 2016, 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.

# THE AMERICAN HIMALAYAN FOUNDATION

## 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 \$151,935 and \$146,426 at December 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Restricted for projects	<u>\$ 1,469,259</u>	<u>\$ 1,663,047</u>

Contributions to temporarily restricted net assets amounted to \$1,868,069 and \$1,537,515 for the years ended December 31, 2017 and 2016, respectively. Net assets released from restrictions amounted to \$2,061,857 and \$2,294,065 for the years ended December 31, 2017 and 2016, respectively.

#### Unrestricted

Unrestricted net assets of \$14,354,237 and \$11,565,559 at December 31, 2017 and 2016, 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 \$24,504 and \$23,652 on behalf of participating employees to the plan for the years ended December 31, 2017 and 2016, respectively.

### 12. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, AHF has evaluated subsequent events through July 9, 2018, 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.