



**THE AMERICAN
HIMALAYAN FOUNDATION**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

THE AMERICAN HIMALAYAN FOUNDATION

(A California Not-For-Profit Corporation)
December 31, 2022 and 2021

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 19



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The American Himalayan Foundation

Opinion

We have audited the accompanying financial statements of American Himalayan Foundation (a California nonprofit organization), which comprise the statements of financial position as December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Himalayan Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Himalayan Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

Page 2

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Himalayan Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Himalayan Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

October 23, 2023
Danville, California

Regalia & Associates

THE AMERICAN HIMALAYAN FOUNDATION

Statements of Financial Position December 31, 2022 and 2021

	December 31,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 11,694,669	\$ 4,179,097
Investments	11,635,123	14,588,474
Pledges receivable, net	10,000	61,550
Accounts receivable and other	32,994	47
Contributed Tibetan chests	10,000	10,000
Prepaid expenses	544	47,295
Total current assets	23,383,330	18,886,463
Pledges receivable - long term, net	96,349	102,961
Right of use asset - premises	376,117	-
Life insurance, cash surrender value	-	2,805,035
Total noncurrent assets	472,466	2,907,996
Total assets	\$ 23,855,796	\$ 21,794,459
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 45,850	\$ 8,278
Accrued employee vacation payable	203,053	196,841
Refundable advance	-	190,400
Grants payable	1,661,214	2,111,330
Lease liability	143,207	-
Total current liabilities	2,053,324	2,506,849
Noncurrent liabilities:		
Lease liability	238,348	-
Total liabilities	2,291,672	2,506,849
Net assets:		
Without donor restrictions	20,419,845	17,850,503
With donor restrictions	1,144,279	1,437,107
Total net assets	21,564,124	19,287,610
Total liabilities and net assets	\$ 23,855,796	\$ 21,794,459

THE AMERICAN HIMALAYAN FOUNDATION

Statements of Activities and Changes in Net Assets Years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributed income	1,285,633	1,629,507	2,915,140	1,472,705	2,343,556	3,816,261
Special events	376,153	-	376,153	486,770	-	486,770
Investment income	(2,724,704)	-	(2,724,704)	2,713,479	-	2,713,479
(Loss) gain from sale of donated securities	(140)	-	(140)	138	-	138
Life insurance	7,194,965	-	7,194,965	397,795	-	397,795
Change in discount related to long-term receivables	-	3,389	3,389	-	3,581	3,581
Net assets released from restrictions	1,925,724	(1,925,724)	-	2,517,653	(2,517,653)	-
Total revenues, gains and other support	8,057,631	(292,828)	7,764,803	7,588,540	(170,516)	7,418,024
Expenses:						
Program Expenses:						
I. Education						
1. STOP Girl Trafficking/In Honor of Amar College Fund	1,568,032	-	1,568,032	1,411,753	-	1,411,753
2. Care and Education for Orphans and Disabled Children	186,744	-	186,744	182,583	-	182,583
3. Tibetan College Scholarships	65,085	-	65,085	66,170	-	66,170
4. Other Scholarships	346	-	346	-	-	-
II. Hospitals and Clinics, Nepal	366,081	-	366,081	619,536	-	619,536
III. Mustang						
1. Day Care Centers and Education	129,216	-	129,216	102,452	-	102,452
2. Cultural Heritage Conservation: Gompa Restoration	7,971	-	7,971	76,181	-	76,181
3. Cultural Heritage Conservation: Monastic Education	50,301	-	50,301	52,141	-	52,141
4. Health Care	55,599	-	55,599	56,853	-	56,853
5. Community, Youth Group, and Public Works Projects	34,137	-	34,137	21,400	-	21,400
6. Lo Gyalpo Foundation Oversight	15,015	-	15,015	12,864	-	12,864
IV. Everest Area: Education, Health Care, Cultural Conservation, Infrastructure	121,073	-	121,073	60,961	-	60,961
V. Tibetan Refugees						
1. K-12 Education: Schools and Hostels	50,205	-	50,205	52,520	-	52,520

THE AMERICAN HIMALAYAN FOUNDATION

Statements of Activities and Changes in Net Assets Years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
V. Tibetan Refugees <i>(continued)</i>						
2. Care for Elders	110,140	-	110,140	111,100	-	111,100
3. Nunneries and Other Cultural Conservation	27,676	-	27,676	25,748	-	25,748
4. Community and Infrastructure Projects	49,070	-	49,070	8,310	-	8,310
5. Health Care	17,052	-	17,052	9,518	-	9,518
6. Livelihood Development	14,530	-	14,530	-	-	-
VI. Tibet: Health Care, Education, Elders, and Cultural Conservation	49,600	-	49,600	44,100	-	44,100
VII. Saving Wildlife	25,000	-	25,000	25,000	-	25,000
VIII. Crisis Response						
1. Covid Response (food relief, medical support, teaching)	-	-	-	847,838	-	847,838
2. Earthquake Repairs and Rebuilding	35,700	-	35,700	-	-	-
3. Other Disaster Relief	119,790	-	119,790	44,720	-	44,720
IX. Kathmandu Based Technical Support	160,992	-	160,992	353,681	-	353,681
X. Program Technical Assistance	388,689	-	388,689	280,553	-	280,553
XI. Program Oversight	705,252	-	705,252	461,112	-	461,112
XII. Currency Fluctuation	(2,940)	-	(2,940)	4,819	-	4,819
Total program expenses	4,350,356	-	4,350,356	4,931,913	-	4,931,913
Special event expenses direct	123,523	-	123,523	83,285	-	83,285
Other fundraising expenses	528,518	-	528,518	484,397	-	484,397
Total fundraising expenses	652,041	-	652,041	567,682	-	567,682
Management and general administrative expenses	485,892	-	485,892	415,290	-	415,290
Total expenses	5,488,289	-	5,488,289	5,914,885	-	5,914,885
Increase (decrease) in net assets	2,569,342	(292,828)	2,276,514	1,673,655	(170,516)	1,503,139
Net assets at beginning of year	17,850,503	1,437,107	19,287,610	16,176,848	1,607,623	17,784,471
Net assets at end of year	20,419,845	1,144,279	21,564,124	17,850,503	1,437,107	19,287,610

THE AMERICAN HIMALAYAN FOUNDATION

Statements of Cash Flows Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 2,276,514	\$ 1,503,139
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loss (gain) on sale of donated securities	140	(138)
Change in discount related to long-term receivables	(3,389)	(3,581)
Unrealized investment losses (gains)	2,832,527	(3,019,691)
Changes in operating assets and liabilities:		
Pledges receivable	61,551	74,261
Accounts receivable and other	(32,947)	44,953
Prepaid expenses	46,751	(5,255)
Right of use asset - premises	(376,117)	-
Life insurance cash surrender value	2,805,035	(397,795)
Accounts payable and accrued liabilities	37,572	(15,605)
Accrued employee vacation payable	6,212	6,261
Refundable advance	(190,400)	-
Grants payable	(450,116)	283,557
Net cash provided by (used for) operating activities	<u>7,013,333</u>	<u>(1,529,894)</u>
Cash flows from investing activities:		
Proceeds from the sale of donated securities	(140)	138
Acquisition of investments and reinvestment of earnings	(107,823)	(305)
Proceeds from investments	228,647	2,222,090
Net cash provided by investing activities	<u>120,684</u>	<u>2,221,923</u>
Cash flows from financing activities		
Lease liability related to right of use asset - premises	381,555	-
Net cash provided by financing activities	<u>381,555</u>	<u>-</u>
Net increase in cash and cash equivalents	7,515,572	692,029
Cash and cash equivalents at beginning of year	4,179,097	3,487,068
Cash and cash equivalents at end of year	<u>\$ 11,694,669</u>	<u>\$ 4,179,097</u>
Supplemental disclosure for noncash operating activities		
State registration fees paid	\$ 400	\$ 200
Donated securities	<u>\$ -</u>	<u>\$ -</u>

THE AMERICAN HIMALAYAN FOUNDATION

**Statement of Functional Expenses
Year Ended December 31, 2022**

	Programs	General and Administrative	Fundraising	2022 Total
Program grants/support/development	\$ 3,257,314	\$ -	\$ -	\$ 3,257,314
Salaries, payroll taxes, benefits	729,080	296,117	316,529	1,341,726
Special events	-	-	123,523	123,523
Insurance	119,273	48,410	51,782	219,465
Occupancy	91,823	37,269	39,865	168,957
Office expenses	2,023	10,999	4,166	17,188
Travel	101,210	229	-	101,439
Credit card/bank service fees	-	135	13,388	13,523
Professional fees	1,500	42,084	2,362	45,946
Graphic design/printing/copying	2,015	5,282	31,963	39,260
Information technology	36,094	21,848	16,913	74,855
Taxes and fees	-	23,165	-	23,165
Other expenses	10,024	354	51,550	61,928
	\$ 4,350,356	\$ 485,892	\$ 652,041	\$ 5,488,289

THE AMERICAN HIMALAYAN FOUNDATION

**Statement of Functional Expenses
Year Ended December 31, 2021**

	Programs	General and Administrative	Fundraising	2021 Total
Program grants/support/development	\$ 4,179,032	\$ -	\$ -	\$ 4,179,032
Salaries, payroll taxes, benefits	542,332	260,393	287,218	1,089,943
Insurance	106,064	56,169	56,179	218,412
Special events	-	-	83,285	83,285
Occupancy	76,541	36,665	40,541	153,747
Travel	1,912	2,205	338	4,455
Graphic design/printing/copying	1,741	7,597	20,980	30,318
Professional fees	13,045	33,909	474	47,428
Information technology	8,525	7,459	6,430	22,414
Office expenses	2,599	8,916	4,574	16,089
Credit card/bank service fees	120	145	16,114	16,379
Legal fees	-	1,250	-	1,250
Other expenses	-	583	51,550	52,133
	\$ 4,931,911	\$ 415,291	\$ 567,683	\$ 5,914,885

THE AMERICAN HIMALAYAN FOUNDATION

Notes to Financial Statements December 31, 2022 and 2021

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. 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 in accordance with U.S. generally accepted accounting principles ("US GAAP") 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.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to AHF's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

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.

Concentrations of Credit Risk

Financial instruments that potentially subject AHF to concentrations of credit risk consist principally of cash and cash equivalents and deposits. AHF maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. AHF manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, AHF has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of AHF's mission.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Receivables and Credit Policies

AHF records contributions receivable that are expected to be collected within one year at net realizable value. When material, contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

In subsequent years, amortization of the discounts (when applicable) will be included in contribution revenue in the statement of activities.

AHF periodically assesses the need for an allowance for doubtful uncollectible accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of AHF to determine proper carrying value to ensure amounts are fairly stated.

Furniture and Equipment

AHF's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets (primarily three to seven years).

Costs of maintenance and repairs are expensed currently. AHF reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. AHF has determined that no long-lived assets were impaired during the year ended December 31, 2022.

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.

Fair Value Measurements

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). AHF groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but it has opted not to do so as of December 31, 2022 and 2021.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of donations which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Revenue and Revenue Recognition

Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with *Topic 606*.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires AHF to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses have been allocated based on time and effort using AHF’s payroll allocations.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Donated Services and In-Kind Contributions

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers contribute significant amounts of time to AHF which includes administration, fundraising, and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Income Taxes

AHF is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), allowing donors to qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi). This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that AHF continues to satisfy all federal and state statutes in order to qualify for continued tax-exempt status. AHF may periodically receive unrelated business income requiring AHF to file separate tax returns under federal and state statutes.

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, 2022 and 2021, AHF does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

Recent and Relevant Accounting Pronouncements

The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. AHF has followed the recommendation of the update to ensure presentation conformity of its financial statements.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01, ASU No. 2018-10, and ASU No. 2018-11*. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*, which requires an organization’s management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of October 23, 2023 (the date of the Independent Auditors’ Report), management has made this evaluation and has determined that AHF has the ability to continue as a going concern.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 605) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, AHF has incorporated these clarifying standards within the audited financial statements.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) removes inconsistencies and weaknesses in existing revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

3. Cash and Cash Equivalents

Included in cash and cash equivalents of \$11,694,669 and \$4,179,097 at December 31, 2022 and 2021, respectively, were funds on deposit with financial institutions which 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 \$587,036 and \$668,706 at December 31, 2022 and 2021, respectively, were housed in noninterest-bearing depository accounts at financial institutions. Other balances were domiciled in accounts bearing interest at rates ranging from 1.50% to 3.84% per annum at December 31, 2022.

THE AMERICAN HIMALAYAN FOUNDATION

Notes to Financial Statements

4. Investments and Fair Value Measurements

Investments consist of the following at December 31:

		<u>2022</u>	<u>2021</u>
Private investment fund	[Level 3]	\$ 11,539,555	\$ 14,418,095
Stocks	[Level 1]	95,568	170,379
Total investments		<u>\$ 11,635,123</u>	<u>\$ 14,588,474</u>

Investment income (interest and dividends, and unrealized adjustments) amounted to (\$2,724,704) and \$2,713,479 for the years ended December 31, 2022 and 2021, respectively. Of these amounts, unrealized gains (losses) amounted to (\$2,832,527) and \$3,019,691 for the years ended December 31, 2022 and 2021, respectively.

AHF has an Investment Committee which has the responsibility for establishing AHF's return objectives and to define the risk parameters. The committee routinely oversees investment performances and reviews cash flows necessary to sustain AHF's operating activities.

5. Furniture and Equipment

Furniture and equipment consist of the following at December 31:

		<u>2022</u>	<u>2021</u>
Computer equipment		\$ 5,544	\$ 9,925
Accumulated depreciation		(5,544)	(9,925)
Furniture and equipment		<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the years ended December 31, 2022 and 2021.

6. 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, 2022 and 2021. The cash surrender value of the life insurance policy amounted to \$2,805,035 as of December 31, 2021. The balance is stated net of fees, premiums, and unrealized appreciation (diminution) on the value of the underlying investments. The change in the estimated fair value of the cash surrender value amounted to \$397,795 for the year ended December 31, 2021. On February 27, 2022, Richard C. Blum succumbed after a long battle with cancer. Upon his death, AHF received life insurance proceeds of \$10 million along with accrued interest of \$15,616.

Notes to Financial Statements

7. Receivables

Pledges receivable of \$106,349 at December 31, 2022 are comprised of \$10,000 due within one year and \$96,349 (net of discount) due in annual installments through December 2035. Pledges receivable of \$164,511 at December 31, 2021 are comprised of \$61,550 due within one year and \$102,961 (net of discount) due in annual installments through December 2035. Receivables classified as noncurrent are reflected at net present value utilizing a discount rate of 3.0%. The change in discount related to long-term receivables amounted to \$3,389 and \$3,581 during the years ended December 31, 2022 and 2021, respectively, and is shown as a component impacting net assets with donor restrictions on the statements of activities and changes in net assets.

Accounts receivable and other of \$32,994 and \$47 at December 31, 2022 and 2021, respectively, consist of other short-term assets. Management has evaluated the collectability of all receivables and has determined that no allowance for doubtful accounts is necessary based on an evaluation of payment history and the credit worthiness of the payees.

8. Related Party Transactions

Richard C. Blum was Chairman of AHF, Blum Capital Partners, LP (Blum Capital) and Richard C. Blum and Associates, Inc. (affiliates). As disclosed in Note 14, AHF subleases its office space from Blum Capital in accordance with a sublease agreement (originally dated June 7, 2005) and its several amendments. On February 27, 2022, Richard C. Blum succumbed after a long battle with cancer. Upon his death, AHF received life insurance proceeds of \$10 million along with accrued interest of \$15,616. The cash surrender value of \$2,805,035 at December 31, 2021 was written off upon the receipt of the life insurance proceeds.

Amounts pledged by Richard C. Blum and reflected as outstanding receivables at December 31, 2021 amounted to \$43,000 but were written off upon the death of Mr. Blum. In the aggregate, contribution revenue for the eighteen-year period ended December 31, 2021 from such related parties has covered 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 3.76% and 3.31% of AHF's general program service, fundraising, and management and general administrative expenses in 2022 and 2021, respectively.

9. Grants Payable

Grants payable of \$1,661,214 and \$2,111,330 at December 31, 2022 and 2021, respectively, represent amounts authorized by the organization's Board of Directors to be distributed during the next fiscal year for numerous projects in the Himalayas undertaken by the organization's management team.

THE AMERICAN HIMALAYAN FOUNDATION

Notes to Financial Statements

10. Liquidity

AHF regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. AHF has various sources of liquidity at its disposal, including cash and cash equivalents and other sources (including the future collection of receivables).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, AHF considers all expenditures related to its mission, as well as the conduct of services undertaken, to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, AHF anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table shows the total financial assets held by AHF and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 11,694,669	\$ 4,179,097
Investments	11,635,123	14,588,474
Pledges receivable (current)	10,000	61,550
Accounts receivable and other	32,994	47
Subtotal	<u>23,372,786</u>	<u>18,829,168</u>
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	<u>(1,144,279)</u>	<u>(1,437,107)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 22,228,507</u>	<u>\$ 17,392,061</u>

AHF receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, AHF must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets from these restricted contributions may not be available for general expenditures within one year.

As part of AHF's liquidity management, the organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Notes to Financial Statements

11. 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 \$203,053 and \$196,841 at December 31, 2022 and 2021, respectively.

12. Refundable Advance and Government Grants

PPP Loan Program Under the CARES Act

During April 2020, AHF applied for and received \$190,400 in a forgivable loan under the Small Business Administration Paycheck Protection Program (“PPP”). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA’s 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, rent, utilities, and other qualifying operating expenses.

At December 31, 2021, the \$190,400 was classified as a refundable advance on the statement of financial position. AHF expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. On July 26, 2022, AHF received official loan forgiveness from the SBA and transferred the refundable deposit to government contributed income for the year ended December 31, 2022.

Operating Agreement with USAID/ASHA

AHF operates programmatic activities under a cost-reimbursement contract with United States Agency for International Development (USAID) American Schools and Hospitals Abroad (ASHA). Under this contract, AHF received government funding amounting to \$33,726 and \$314,543 for the years ended December 31, 2022 and 2021, respectively.

13. Retirement Plan

AHF offers employees the opportunity to participate in a retirement plan qualified under Internal Revenue Code Section 401(k) which allows participants to defer a portion of their salary into a tax-deferred account. 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. The Plan also allows employer contributions, and AHF contributed \$32,450 and \$27,786 on behalf of participating employees to the plan for the years ended December 31, 2022 and 2021, respectively.

THE AMERICAN HIMALAYAN FOUNDATION

Notes to Financial Statements

14. Right of Use Asset and Leases

AHF leases its corporate office premises in San Francisco under a multi-year operating lease agreement with Blum Capital (a related party) which expires December 31, 2025. The lease requires a monthly rental payment of \$12,047 as of December 31, 2022, with stipulated annual increases of 3.0% each August 1st. AHF is responsible for its proportionate share of building, maintenance, and operating expenses. Office rent expense amounted to \$147,548 and \$137,971 for the years ended December 31, 2022 and 2021, respectively.

In accordance with *ASU 2016-02, Leases*, AHF is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. As of December 31, 2022, AHF has recorded a total lease liability in the amount of \$381,555 for its office space (split between the current amount of \$143,207 and noncurrent amount of \$238,348) and a corresponding right of use asset for the premises in the amount of \$376,117.

As of December 31, 2022, minimum future lease payments for all operating leases with terms of one year or more are as follows:

Year ending December 31, 2023	\$	146,374
Year ending December 31, 2024		150,765
Year ending December 31, 2025		89,466

15. Net Assets

Net Assets Without Donor Restrictions: Net assets without donor restrictions of \$20,419,845 and \$17,850,503 at December 31, 2022 and 2021, respectively, represent the cumulative net surpluses of AHF since its inception.

Net Assets With Donor Restrictions: AHF recognizes support from restricted donations when the conditions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Restricted for projects	\$ 1,167,930	\$ 1,464,147
Discount related to long-term pledges receivable	(23,651)	(27,040)
Net Assets With Donor Restrictions	\$ 1,144,279	\$ 1,437,107

Contributions to net assets with donor restrictions amounted to \$1,629,507 and \$2,343,556 for the years ended December 31, 2022 and 2021, respectively. Net assets released from restrictions amounted to \$1,925,724 and \$2,517,653 for the years ended December 31, 2022 and 2021, respectively. As reflected in Note 7, the change in discount related to long-term receivables amounted to \$3,389 and \$3,581 during the years ended December 31, 2022 and 2021, respectively, and is shown as a component of net assets with donor restrictions.

Notes to Financial Statements

16. Commitments and Contingencies

In the normal course of business AHF could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which could include (a) grant restrictions and donor conditions which obligate AHF to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond AHF's control, such as generosity of donors and general economic conditions, (c) employment and service agreements with key management personnel, and (d) financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting entities.

17. COVID-19

The COVID-19 pandemic continues to adversely affect Nepal and India in terms of: public health concerns; disruption of tourism, a major source of income for many of AHF's beneficiaries; and intermittent travel restrictions that prevent many of AHF's local partners from fully implementing their annual goals. In 2020, in response to this crisis, AHF shifted a portion of its program spending to Covid Response and this work continued during 2021 and 2022. Management continues to monitor and evaluate its options. These financial statements reflect certain economic ramifications which impacted the years ended December 31, 2022 and 2021.

18. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, AHF has evaluated subsequent events through October 23, 2023, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which necessitate disclosure.