# THE AMERICAN HIMALAYAN FOUNDATION

## Financial Statements

For the Years Ended December 31, 2021 and 2020

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

# THE AMERICAN HIMALAYAN FOUNDATION

(A California Not-For-Profit Corporation)
December 31, 2021 and 2020

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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 statement of financial position as December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in net assets and its cash flows for the year 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.

***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.

***Report on Summarized Comparative Information***
We have previously audited American Himalayan Foundation's financial statements as of and for the year ended December 31, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

***September 29, 2022***
***Danville, California***

**Statements of Financial Position**
**December 31, 2021 and 2020**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 4,179,097 | $ 3,487,068 |
| Investments | 14,588,474 | 13,790,568 |
| Pledges receivable, net | 61,550 | 115,812 |
| Accounts receivable and other | 47 | 45,000 |
| Contributed Tibetan chests | 10,000 | 10,000 |
| Prepaid expenses | 47,295 | 42,040 |
| Total current assets | 18,886,463 | 17,490,488 |
| Pledges receivable - long term, net | 102,961 | 119,379 |
| Furniture, equipment and leasehold improvements, net | - | - |
| Life insurance, cash surrender value | 2,805,035 | 2,407,240 |
| Total noncurrent assets | 2,907,996 | 2,526,619 |
| Total assets | $ 21,794,459 | $ 20,017,107 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | $ 8,278 | $ 23,883 |
| Accrued employee vacation payable | 196,841 | 190,580 |
| Refundable advance | 190,400 | 190,400 |
| Grants payable | 2,111,330 | 1,827,773 |
| Total current liabilities | 2,506,849 | 2,232,636 |
| Net assets: | | |
| Without donor restrictions | 17,850,503 | 16,176,848 |
| With donor restrictions | 1,437,107 | 1,607,623 |
| Total net assets | 19,287,610 | 17,784,471 |
| Total liabilities and net assets | $ 21,794,459 | $ 20,017,107 |

**Statements of Activities and Changes in Net Assets**
**Years ended December 31, 2021 and 2020**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, gains and other support: | | | | | | |
| Contributions | $ 1,472,705 | $ 2,343,556 | $ 3,816,261 | $ 1,569,482 | $ 2,259,201 | $ 3,828,683 |
| Other income | - | - | - | 7,000 | - | 7,000 |
| Special events | 486,770 | - | 486,770 | 391,437 | - | 391,437 |
| Investment income | 2,713,479 | - | 2,713,479 | 2,916,541 | - | 2,916,541 |
| Gain from sale of donated securities | 138 | - | 138 | 540 | - | 540 |
| Gain from life insurance performance | 397,795 | - | 397,795 | 127,701 | - | 127,701 |
| Change in discount related to long-term receivables | - | 3,581 | 3,581 | - | 3,768 | 3,768 |
| Net assets released from restrictions | 2,517,653 | (2,517,653) | - | 2,241,149 | (2,241,149) | - |
| Total revenues, gains and other support | 7,588,540 | (170,516) | 7,418,024 | 7,253,850 | 21,820 | 7,275,670 |
| Expenses: | | | | | | |
| Program Expenses: | | | | | | |
| I. Education | | | | | | |
| 1. STOP Girl Trafficking/In Honor of Amar College Fund | 1,411,753 | - | 1,411,753 | 1,482,128 | - | 1,482,128 |
| 2. Care and Education for Orphans and Disabled Children | 182,583 | - | 182,583 | 173,395 | - | 173,395 |
| 3. Tibetan College Scholarships | 66,170 | - | 66,170 | 64,925 | - | 64,925 |
| 4. Other Scholarships | - | - | - | 268 | - | 268 |
| II. Hospitals and Clinics, Nepal | 619,536 | - | 619,536 | 484,605 | - | 484,605 |
| III. Mustang | | | | | | |
| 1. Day Care Centers and Education | 102,452 | - | 102,452 | 75,631 | - | 75,631 |
| 2. Cultural Heritage Conservation: Gompa Restoration | 76,181 | - | 76,181 | 69,597 | - | 69,597 |
| 3. Cultural Heritage Conservation: Monastic Education | 52,141 | - | 52,141 | 52,758 | - | 52,758 |
| 4. Health Care | 56,853 | - | 56,853 | 50,137 | - | 50,137 |
| 5. Community, Youth Group and Public Works Projects | 21,400 | - | 21,400 | (20,827) | - | (20,827) |
| 6. Lo Gyalpo Foundation Oversight | 12,864 | - | 12,864 | 28,585 | - | 28,585 |
| IV. Everest Area: Education, Health Care, Cultural Conservation, Infrastructure | 60,961 | - | 60,961 | 53,948 | - | 53,948 |
| V. Tibetan Refugees | | | | | | |
| 1. K-12 Education: Schools and Hostels | $ 52,520 | $ - | $ 52,520 | $ 42,829 | $ - | $ 42,829 |

**Statements of Activities and Changes in Net Assets**
**Years ended December 31, 2021 and 2020**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| V. Tibetan Refugees *(continued)* | | | | | | |
| 2. Care for Elders | $ 111,100 | $ - | $ 111,100 | $ 103,800 | $ - | $ 103,800 |
| 3. Nunneries and Other Cultural Conservation | 25,748 | - | 25,748 | 29,433 | - | 29,433 |
| 4. Community and Infrastructure Projects | 8,310 | - | 8,310 | 8,570 | - | 8,570 |
| 5. Health Care | 9,518 | - | 9,518 | 9,097 | - | 9,097 |
| VI. Tibet: Health Care, Education, Elders, and Cultural Conservation | 44,100 | - | 44,100 | 43,500 | - | 43,500 |
| VII. Saving Wildlife | 25,000 | - | 25,000 | 25,000 | - | 25,000 |
| VIII. Crisis Response | | | | | | |
| 1. Covid Response (food relief, medical support, online teaching) | 847,838 | | 847,838 | 466,831 | - | 466,831 |
| 2. Earthquake Repairs and Rebuilding | - | - | - | 16,000 | - | 16,000 |
| 3. Other Disaster Relief | 44,720 | - | 44,720 | 2,830 | - | 2,830 |
| IX. Kathmandu Based Technical Support | 353,681 | - | 353,681 | 296,208 | - | 296,208 |
| X. Program Technical Assistance | 280,553 | - | 280,553 | 276,881 | - | 276,881 |
| XI. Program Oversight | 461,112 | - | 461,112 | 469,327 | - | 469,327 |
| XII. Currency Fluctuation | 4,819 | - | 4,819 | 3,373 | - | 3,373 |
| Total program expenses | 4,931,913 | - | 4,931,913 | 4,308,829 | - | 4,308,829 |
| Special event expenses direct | 83,285 | - | 83,285 | 33,870 | | 33,870 |
| Other fundraising expenses | 484,397 | - | 484,397 | 473,260 | - | 473,260 |
| Total fundraising expenses | 567,682 | - | 567,682 | 507,130 | - | 507,130 |
| Management and general administrative expenses | 415,290 | - | 415,290 | 443,533 | - | 443,533 |
| Total expenses | 5,914,885 | - | 5,914,885 | 5,259,492 | - | 5,259,492 |
| Increase (decrease) in net assets | 1,673,655 | (170,516) | 1,503,139 | 1,994,358 | 21,820 | 2,016,178 |
| Net assets at beginning of year | 16,176,848 | 1,607,623 | 17,784,471 | 14,182,490 | 1,585,803 | 15,768,293 |
| Net assets at end of year | $ 17,850,503 | $ 1,437,107 | $ 19,287,610 | $ 16,176,848 | $ 1,607,623 | $ 17,784,471 |

## Statements of Cash Flows
### Years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Increase in net assets | $ 1,503,139 | $ 2,016,178 |
| Adjustments to reconcile increase in net assets to | | |
| net cash provided by operating activities: | | |
| Gain on sale of donated securities | (138) | (540) |
| Depreciation and amortization | - | 1,965 |
| Contributed securities | - | (35,832) |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 70,680 | 408,646 |
| Accounts receivable and other | 44,953 | (41,846) |
| Prepaid expenses | (5,255) | - |
| Life insurance cash surrender value | (397,795) | (127,701) |
| Accounts payable and accrued liabilities | (15,605) | (36,257) |
| Accrued employee vacation payable | 6,261 | 18,602 |
| Refundable advance | - | 190,400 |
| Grants payable | 283,557 | (241,837) |
| Net cash provided by operating activities | 1,489,797 | 2,151,778 |
| **Cash flows from investing activities:** | | |
| Proceeds from the sale of donated securities | 138 | 36,372 |
| Acquisition of investments | (797,906) | - |
| Proceeds from investments | - | 149,058 |
| Net cash provided by (used for) investing activities | (797,768) | 185,430 |
| Net increase (decrease) in cash and cash equivalents | 692,029 | 2,337,208 |
| Cash and cash equivalents at beginning of year | 3,487,068 | 1,149,860 |
| Cash and cash equivalents at end of year | $ 4,179,097 | $ 3,487,068 |
| Supplemental disclosure for noncash operating activities | | |
| State registration fees paid | $ 150 | $ 150 |
| Donated securities | $ - | $ 35,832 |

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

| | Programs | General and Adminstrative | 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** |

## Statement of Functional Expenses
## Year Ended December 31, 2020

| | Programs | General and Adminstrative | Fundraising | 2020 Total |
|---|---|---|---|---|
| Program grants/support/development | $ 3,559,317 | $ - | $ - | $ 3,559,317 |
| Salaries, payroll taxes, benefits | 533,523 | 280,820 | 308,930 | 1,123,273 |
| Special events | - | - | 33,870 | 33,870 |
| Insurance | 104,655 | 54,429 | 59,151 | 218,235 |
| Occupancy | 69,672 | 36,638 | 40,343 | 146,653 |
| Office expenses | 3,892 | 5,517 | 11,743 | 21,152 |
| Travel | 15,854 | 3,029 | 5,069 | 23,952 |
| Credit card/bank service fees | - | 210 | 14,572 | 14,782 |
| Professional fees | - | 42,022 | (5,000) | 37,022 |
| Graphic design/printing/copying | 1,717 | 3,308 | 24,982 | 30,007 |
| Information technology | 15,362 | 12,120 | 11,894 | 39,376 |
| Depreciation and amortization | 934 | 491 | 540 | 1,965 |
| Other expenses | 3,903 | 4,949 | 1,036 | 9,888 |
| | **$ 4,308,829** | **$ 443,533** | **$ 507,130** | **$ 5,259,492** |

**Notes to Financial Statements**
**December 31, 2021 and 2020**

## 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.

**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, Equipment and Leasehold Improvements
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). Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

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, 2021.

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.

**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, 2021 and 2020.

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.

## 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, 2021 and 2020, 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 pronouncement is effective for fiscal years beginning after December 15, 2021. The new 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 September 29, 2022 (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 $4,179,097 and $3,487,068 at December 31, 2021 and 2020, 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 $668,706 and $976,694 at December 31, 2021 and 2020, respectively, were housed in noninterest-bearing depository accounts at financial institutions. Other balances were domiciled in accounts bearing interest at rates ranging from 0.01% to 0.05% per annum at December 31, 2021.

## Notes to Financial Statements

### 4. Investments and Fair Value Measurements

Investments consist of the following at December 31:

| | | 2021 | 2020 |
|---|---|---|---|
| Private investment fund | [Level 3] | $ 14,418,095 | $ 11,548,604 |
| Stocks | [Level 1] | 170,379 | 199,298 |
| Money market funds | [Level 1] | - | 2,042,666 |
| Total investments | | $ 14,588,474 | $ 13,790,568 |

Investment income (interest, dividends, and unrealized adjustments) amounted to $2,713,479 and $2,916,541 for the years ended December 31, 2021 and 2020, 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, Equipment and Leasehold Improvements

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

| | 2021 | 2020 |
|---|---|---|
| Computer equipment | $ 9,925 | $ 9,925 |
| Accumulated depreciation and amortization | (9,925) | (9,925) |
| Furniture, equipment and leasehold improvements | $ - | $ - |

During the year ended December 31, 2020, AHF moved office locations and abandoned certain fully depreciated office furniture and leasehold improvements. There were no losses from disposals. Depreciation expense amounted to $1,965 for the year ended December 31, 2020. There was no depreciation expense for the year ended December 31, 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, 2021 and 2020. The cash surrender value of the life insurance policy amounted to $2,805,035 and $2,407,240 as of December 31, 2021 and 2020, respectively. 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 and $127,701 for the years ended December 31, 2021 and 2020, respectively. 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 $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. Pledges receivable of $235,191 at December 31, 2020 are comprised of $115,812 due within one year and $119,379 (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 $3,581 and $3,768 during the years ended December 31, 2021 and 2020, 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 $47 and $45,000 at December 31, 2021 and 2020, respectively, consist of other short-term assets. Management has evaluated the collectability of all receivables and has established an allowance for doubtful accounts amounting to $51,550 at December 31, 2021. There was no allowance for doubtful accounts at December 31, 2020.

### 8. Related Party Transactions

Richard C. Blum is Chairman of AHF, Blum Capital Partners, LP (Blum Capital) and Richard C. Blum and Associates, Inc. (affiliates). As disclosed in Note 16, 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.

Richard C. Blum, in part through the Blum Family Foundation, contributed $86,830 to AHF during the year ended December 31, 2020. There were no amounts contributed during the year ended December 31, 2021. Amounts pledged by Richard C. Blum and reflected as outstanding receivables at December 31, 2021 and 2020 amounted to $43,000 and $60,100, respectively. 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 3.31% and 3.49% of AHF's general program service, fundraising, and management and general administrative expenses in 2021 and 2020, respectively.

### 9. Grants Payable

Grants payable of $2,111,330 and $1,827,773 at December 31, 2021 and 2020, 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.

## 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:

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 4,179,097 | $ 3,487,068 |
| Investments | 14,588,474 | 13,790,568 |
| Pledges receivable (current) | 61,550 | 115,812 |
| Accounts receivable and other | 47 | 45,000 |
| Subtotal | 18,829,168 | 17,438,448 |
| Less: amounts not available to be used within one year: | | |
| Net assets with donor restrictions for programs | (1,437,107) | (1,607,623) |
| Financial assets available to meet general expenditures over the next twelve months | $ 17,392,061 | $ 15,830,825 |

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 $196,841 and $190,580 at December 31, 2021 and 2020, 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 and 2020, the $190,400 has been 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. Management fully anticipates that it will satisfy the PPP's eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

Based on the guidance in *FASB ASC 405-20-40-1*, the proceeds from the loan remain recorded as a liability titled "refundable advance" until either (1) the loan is, in part or wholly, forgiven and the debtor has been "legally released" or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, AHF will reduce the liability by the amount forgiven and record the forgiven loan as government contributed income.

On July 26, 2022, AHF received official loan forgiveness from the SBA and will transfer the refundable deposit to government contributed income for the year ending December 31, 2022.

## 13. Net Assets

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:

| | 2021 | 2020 |
|---|---|---|
| Restricted for projects | $ 1,437,107 | $ 1,607,623 |

Contributions to net assets with donor restrictions amounted to $2,343,556 and $2,259,201 for the years ended December 31, 2021 and 2020, respectively. Net assets released from restrictions amounted to $2,517,653 and $2,241,149 for the years ended December 31, 2021 and 2020, respectively. As reflected in Note 7, the change in discount related to long-term receivables amounted to $3,581 and $3,768 during the years ended December 31, 2021 and 2020, respectively, and is shown as a component of net assets with donor restrictions.

Net Assets Without Donor Restrictions: Net assets without donor restrictions of $17,850,503 and $16,176,848 at December 31, 2021 and 2020, respectively, represent the cumulative net surpluses of AHF since its inception.

## 14. 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 $27,786 and $27,898 on behalf of participating employees to the plan for the years ended December 31, 2021 and 2020, respectively.

## 15. 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.

## 16. Occupancy

AHF leases its corporate office premises in San Francisco under a multi-year operating lease agreement with Blum Capital which expires July 31, 2025. The lease requires a monthly rental payment of $11,696 as of December 31, 2021, 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 $137,971 and $127,889 for the years ended December 31, 2021 and 2020, respectively.

In accordance with *ASU 2016-02, Leases*, AHF will be required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and also post a corresponding lease liability (split between current and noncurrent). The effective date for implementation is for fiscal years beginning after December 15, 2021.

## 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. Management continues to monitor and evaluate its options. These financial statements reflect certain economic ramifications which impacted the years ended December 31, 2021 and 2020.

## 18. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, AHF has evaluated subsequent events through September 29, 2022, the date the financial statements were available to be issued. As disclosed in Note 6 and Note 8, AHF's Founder Richard C. Blum succumbed after a long battle with cancer on February 17, 2022. Upon his death, AHF received life insurance proceeds of $10 million along with accrued interest of $15,616. As disclosed in Note 12, AHF received official loan forgiveness from the SBA on July 26, 2022, and will transfer the refundable deposit to government contributed income for the year ending December 31, 2022. In the opinion of management, there are no other subsequent events which are required to be disclosed.