

Audited Consolidated Financial Statements

HIMALAYAN HEALTHCARE, INC.

December 31, 2016 and 2015

B BETRO AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

October 5, 2017

To the Board of Directors
Himalayan HealthCare, Inc.
P.O. Box 737
Planetarium Station
New York, NY 10024

We have audited the accompanying consolidated financial statements of Himalayan HealthCare, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Himalayan Healthcare, Inc. as of December 31, 2016 and 2015, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


BETRO AND COMPANY, P.C.
Certified Public Accountants

HIMALAYAN HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 45,272	\$ 222,320
Accounts receivable	3,172	4,984
Marketable securities	6,548	5,664
Inventory	<u>18,903</u>	<u>25,521</u>
Total assets	\$ <u>73,895</u>	\$ <u>258,489</u>

LIABILITIES AND NET ASSETS

NET ASSETS		
Unrestricted	<u>73,895</u>	<u>258,489</u>
Total liabilities and net assets	\$ <u>73,895</u>	\$ <u>258,489</u>

See accompanying notes and accountants' audit report.

HIMALAYAN HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED PUBLIC SUPPORT AND REVENUE		
Public support		
Cash contributions	\$ 568,794	\$ 987,597
Contributions of medical services	-	81,104
Contributions of marketable securities	6,738	11,754
Fundraising events	2,555	1,685
Total public support	<u>578,087</u>	<u>1,082,140</u>
Sales of products	<u>25,447</u>	<u>18,365</u>
Investment income		
Interest income	1	1
Dividend income	44	91
Total investment income	<u>45</u>	<u>92</u>
Total unrestricted public support and revenue	<u>603,579</u>	<u>1,100,597</u>
EXPENSES AND LOSSES		
Cost of goods sold	23,764	14,607
Program services	629,345	778,111
Fundraising	1,891	5,870
Management and general	132,122	150,774
Total expenses	<u>787,122</u>	<u>949,362</u>
Net unrealized loss on marketable securities	190	708
Net realized loss on sale of marketable securities	861	687
Total expenses and losses	<u>788,173</u>	<u>950,757</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(184,594)	149,840
NET ASSETS, BEGINNING OF YEAR	<u>258,489</u>	<u>108,649</u>
NET ASSETS, END OF YEAR	\$ <u><u>73,895</u></u>	\$ <u><u>258,489</u></u>

See accompanying notes and accountants' audit report.

HIMALAYAN HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in unrestricted net assets	\$ (184,594)	\$ 149,840
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by (used in) operating activities:		
Unrealized loss on marketable securities	190	708
Loss on sale of marketable securities	861	687
Contributions of marketable securities	(6,738)	(11,754)
(Increase) decrease in:		
Accounts receivable	1,812	42,570
Prepaid expense	-	3,000
Inventory	6,618	(19,998)
Increase (decrease) in:		
Accounts payable	-	(15,185)
Net cash (used by) provided by operating activities	<u>(181,851)</u>	<u>149,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	<u>4,803</u>	<u>4,695</u>
NET (DECREASE) INCREASE IN CASH	(177,048)	154,563
CASH, BEGINNING OF YEAR	<u>222,320</u>	<u>67,757</u>
CASH, END OF YEAR	\$ <u><u>45,272</u></u>	\$ <u><u>222,320</u></u>
SUPPLEMENTARY SCHEDULE OF NONCASH ACTIVITIES		
Contribution of services at fair value	\$ <u><u>-</u></u>	\$ <u><u>81,104</u></u>

See accompanying notes and accountants' audit report.

HIMALAYAN HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Himalayan HealthCare, Inc. (the "Organization" or "HHC") is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are the representation of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the consolidated financial statements.

Basis of Presentation

The consolidated financial statements include the accounts of the JeevanKala LLC ("JeevanKala"), a wholly-owned for profit subsidiary taxed in the United States as a corporation. All significant intercompany balances and transactions were eliminated in consolidation.

In 2012, the Board of Directors of HHC formed JeevanKala for the purpose of selling in the United States handicraft goods produced by artisans in Nepal. HHC manages the operations of JeevanKala and, as the sole shareholder, can direct for after-tax excess profits to be remitted by dividend to HHC. Accordingly, the accounts of JeevanKala have been consolidated herein, as required by generally accepted accounting principles.

Nature of Activities

HHC is a nonprofit organization incorporated under the laws of New York on June 29, 1992. The Organization's primary purpose is to improve the health conditions of poor and needy residents of rural villages in the country of Nepal, through, among other means, the development and support of projects to be carried out by Nepali healthcare workers, in conjunction with volunteers, for dispensing medicines and providing medical care. HHC depends on individual donations as well as substantial contributions of materials and services as sources of revenue.

Contributions of Materials and Services

HHC records the value of donated goods and services when there is an objective basis available to measure their value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. Donated investments are reflected as contributions at their fair market value at the date of receipt. Donated volunteer services of \$0 in 2016 and \$81,104 in 2015 are reflected as contributions based on the average mean yearly base salary of a physician, dentist, nurse or secretary working in an HMO or clinic according to the Warren Surveys.

HIMALAYAN HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

Marketable Securities

Investments in marketable securities with readily determinable fair values are reported at their fair values in the Statement of Financial Position.

HHC has adopted FASB ASC 820, *Fair Value Measurements and Disclosures* for financial assets and financial liabilities. This pronouncement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

Income Taxes

HHC is a nonprofit organization exempt from taxation under Internal Revenue Code (the "Code") Section 501(c)(3). In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(1) of the Code.

HHC has adopted FASB Codification 740-10, *Income Taxes* ("FASB ASC 740-10"). Management feels HHC has not taken any tax positions that would require disclosure in accordance with FASB ASC 740-10. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits as interest expense in the Consolidated Statements of Activities and Changes in Net Assets. Governing authorities generally can operate with a three year statute of limitations to examine previously filed information returns. HHC has filed its information returns timely, and management believes any potential change due to audit would not have a material effect on the financial statements.

2. CONCENTRATION OF CREDIT RISK

HHC maintains its cash balances in one financial institution located in New York. The Federal Deposit Insurance Corporation insures balances at this institution up to \$250,000. Cash balances at December 31, 2016 and 2015 did not exceed the insured limit.

3. MARKETABLE SECURITIES

The Organization received and sold marketable securities during the years ended December 31, 2016 and 2015. Total marketable security holdings at December 31, 2016 and 2015 were \$6,548 and \$5,664, respectively.

HIMALAYAN HEALTHCARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. MARKETABLE SECURITIES (Continued)

Current year unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. For purposes of determining the realized gains and losses on a sale, the cost of securities is based on the fair market value at the date of receipt. As of December 31, 2016 and 2015, sales proceeds and gross realized gains and losses on donated marketable securities classified as available for sale were:

	Sale Proceeds	Gross Realized Gains	Gross Realized Losses	Net Realized Gains(Losses)
2016	\$ <u>4,803</u>	\$ <u>0</u>	\$ <u>(861)</u>	\$ <u>(861)</u>
2015	\$ <u>4,695</u>	\$ <u>0</u>	\$ <u>(687)</u>	\$ <u>(687)</u>

4. SUBSEQUENT EVENTS

For purposes of inclusion in the financial statements, management has concluded that subsequent events after the Consolidated Statement of Financial Position date have been evaluated through October 5, 2017, the date the financial statements were available to be issued.