

ENTITY No. 26-1146349

**NEPALI CULTURAL & SPIRITUAL CENTER
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nepali Cultural & Spiritual Center
2016 W Grauwylar Rd,
Irving, TX 75061

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Nepali Cultural & Spiritual, (hereafter referred to as "the Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Nepali Cultural & Spiritual Center as of December 31, 2018 and 2017, and the results of its operations and 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.

PURPOSE

This report is intended solely for the information and use of the management, board of directors of Nepali Cultural & Spiritual Center and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ranjeet Koirala CPA P.C." The signature is written in a cursive, flowing style.

Ranjeet Koirala CPA PC
Irving, Texas
October 1, 2019

NEPALESE CULTURAL & SPIRITUAL CENTER
 STATEMENTS OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
Cash and Cash Equivalents	\$ 127,221	\$ 61,701
TOTAL CURRENT ASSETS	<u>127,221</u>	<u>61,701</u>
PROPERTY AND EQUIPMENT	\$ 1,541,932	1,226,199
OTHER ASSETS		
Security Deposit	-	3,000
TOTAL ASSETS	\$ <u>1,669,153</u>	\$ <u>1,290,900</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 8,217	\$ 15,203
Current Portion of Notes Payable	<u>14,706</u>	<u>26,506</u>
TOTAL CURRENT LIABILITIES	<u>22,923</u>	<u>41,709</u>
Notes Payable net of Current Portion	<u>285,773</u>	<u>73,001</u>
TOTAL LONG TERM LIABILITIES	<u>285,773</u>	<u>73,001</u>
TOTAL LIABILITIES	<u>308,696</u>	<u>114,710</u>
NET ASSETS		
Net Assets without Donor Restrictions	1,360,457	1,176,190
TOTAL NET ASSETS	<u>1,360,457</u>	<u>1,176,190</u>
TOTAL LIABILITIES & NET ASSETS	\$ <u>1,669,153</u>	\$ <u>1,290,900</u>

The accompanying notes are an integral part of these financial statements.

NEPALESE CULTURAL & SPIRITUAL CENTER
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

REVENUE AND SUPPORT	<u>2018</u>	<u>2017</u>
Contributions, gifts and grants	\$ 272,346	\$ 419,538
Rental Income	30,700	30,000
Other Income	43,702	-
TOTAL REVENUES AND SUPPORT	<u>346,748</u>	<u>449,538</u>
 EXPENSES		
Program Services	147,584	172,857
Management and General	14,705	18,822
TOTAL EXPENSES	<u>162,289</u>	<u>191,679</u>
INCREASE IN NET ASSETS	184,459	257,859
NET ASSETS- BEGINNING OF YEAR	1,176,190	918,331
NET ASSETS- END OF YEAR	<u>\$ 1,360,649</u>	<u>\$ 1,176,190</u>

The accompanying notes are an integral part of these financial statements:

NEPALESE CULTURAL & SPIRITUAL CENTER
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2018</u>	<u>2017</u>
INCREASE/(DECREASE) IN NET ASSETS	\$ 184,459	\$ 257,859
Adjustments to reconcile Net Increase/(Decrease) in Net Assets to net cash provided by operating activities:		
Depreciation	27,206	27,745
Accounts Payable and Accrued Expenses	(6,986)	4,217
Security Deposits	3,000	(3,000)
Cash Provided by Operating Activities	<u>207,679</u>	<u>286,821</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of Equipment Furniture & Fixtures	(343,131)	(39,960)
Cash Used by Investing Activities	<u>(343,131)</u>	<u>(39,960)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Notes Payable	200,972	(248,137)
Cash Provided (Used) By Financing Activities	<u>200,972</u>	<u>(248,137)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	65,520	(1,276)
BEGINNING CASH BALANCE	61,701	62,977
ENDING CASH BALANCE	<u>\$ 127,221</u>	<u>\$ 61,701</u>
 Supplementary information:		
<u>Cash Paid for:</u>		
Income Taxes	\$ 8,986	\$ -
Interest Expenses	16,107	26,883

The accompanying notes are an integral part of these financial statements

NEPALESE CULTURAL & SPIRITUAL CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

Description	2018			2017		
	Program	Management	Total	Program	Management	Total
	Services Expenses	& General Expenses		Services Expenses	& General Expenses	
Salaries and Wages	\$ 55,077	6,120	61,197	\$ 49,698	5,522	55,220
Temple Supplies	8,726	-	8,726	5,428	-	5,428
Office Supplies	-	-	-	7,202	800	8,002
Interest Expenses	14,496	1,611	16,107	24,195	2,688	26,883
Depreciation	27,398	-	27,398	27,745	-	27,745
Inaguration Expense	-	-	-	14,247	-	14,247
Pooja Supplies	3,929	-	3,929	6,807	-	6,807
Utilities	13,036	1,134	14,170	18,093	1,573	19,666
Repairs and Maintenance	6,923	602	7,525	9,589	834	10,423
Insurance Expenses	5,520	480	6,000	2,726	237	2,963
Cleaning Supplies	6,477	563	7,040	7,127	620	7,747
Audit Fees	-	2,000	2,000	-	2,000	2,000
Bank Service Fees	-	2,195	2,195	-	2,331	2,331
Security Expenses	302	-	302	-	-	-
Summer Camp Expenses	5,892	-	5,892	-	-	-
IRS Tax Payment	-	-	-	-	2,217	2,217
	\$ 147,776	14,705	162,481	\$ 172,857	18,822	191,679

The accompanying notes are an integral part of these financial statements

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Incorporation

Nepali Cultural & Spiritual Center was organized on August 30, 2007, pursuant to the incorporation laws of the State of Texas to establish and operate a corporation as a non-profit organization under section 501(c)(3) of the Internal Revenue Code of 1986.

Principal Activity

The Nepali Cultural and Spiritual Center aims to provide a common place for all Nepali Hindus and Buddhists and other nationalities of these faiths to congregate culturally, spiritually and religiously. The Center encourages community members to strengthen social and religious harmony between different faiths of Nepal, and pray and worship the god in accordance with their faith; promote and preserve Nepali cultural heritage; and promote Nepali cultural values. The immediate goal of Nepali Cultural & Spiritual Center is to build and maintain Hindu/Buddhist Cultural and Spiritual Center (a joint project of Pashupati-Buddha Temple, and Community Hall), around DFW Metro.

A) Form of Presentation

The Financial Statements are prepared on the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles. Revenues and gains are recognized when earned, and expenditures and losses are recognized when incurred.

B) Classification and Reporting of Net Assets

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

i. Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets received and expended within the reporting period are reported in the Statement of Activities as unrestricted support and revenue.

ii. Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Net assets with donor restrictions whose restrictions are satisfied in the same year of receipt are treated as net assets without donor restrictions.

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C) Contributions, Gains and Other Support

Contributions are recognized when received from the donor. Contributions not restricted by donors are reported as increases in net assets not restricted by donor in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets restricted by donors depending on the nature of the restrictions. When a restriction expires, donor restricted assets are reclassified to net assets without donor restriction. Unconditional promises to give by donors are recorded as pledges receivable and contribution revenue when promises are made, or donated items are received and are immediately available for use without restriction unless specifically restricted by the donor. Unconditional promises expected to be collected within one year are recorded at net realizable value. Unconditional promises expected to be collected in future years are recorded at their fair values.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met.

The Organization records interest and dividends on its marketable securities when earned. Gains or losses are recorded when realized. Unrealized gains or losses are recorded based upon changes in the fair value of investments held.

D) Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include highly liquid assets with an original maturity of three months or less. Cash and Cash Equivalents consist of cash on hand, checking, and money market accounts.

E) Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in these financial statements. Accordingly, certain costs have been allocated between program services, management, and general.

F) Concentrations of Credit Risk

The Organization maintains its cash balances at various local financial Institutions. Accounts at these Institutions are insured by the Federal Deposit Insurance Corporation up to the legal limits of \$250,000 per financial Organization.

G) Inventory

Organization has a policy of expensing all temple and office supplies items.

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H) Property and Equipment

Property and Equipment are stated at cost, net of accumulated depreciation. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation and amortization are computed on the straight-line method over the estimated useful asset lives.

I) Advertising Costs

Advertising costs, except for direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are to be received. There were no direct-response advertising costs for the current fiscal year.

J) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

K) Concentration of Economic Dependency

The Organization derives a significant portion of its revenue from public donation.

L) Uncertain Tax Positions

The Organization accounts for uncertain tax positions in accordance with FASB ASC 740.

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M) Fair Value Measurement

The Organization reports its qualified assets and liabilities in accordance with the Fair Value Measurements and Disclosure Standards and accounting principles generally accepted in the United States. These standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This policy establishes a Fair Value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value hierarchy and a description of the valuation techniques used for instruments measured at fair value are as follows:

- Level 1- Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2- Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.
- Level 3- Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management's best estimate of fair value.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Organization's qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

N) Subsequent Events

The Organization evaluates subsequent events through October 1, 2019, the date of this report. No material subsequent events have occurred that require recognition or disclosure in these financial statements.

O) Reclassification

The presentation of certain prior year balances has been reclassified to conform to the current year presentation

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2: PROPERTY AND EQUIPMENT

Physical property and equipment are stated on the balance sheet at cost at date of acquisition or, in the case of gifts, fair market value at date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

The major classification of property and equipment as of December 31, 2018 and 2017, was as follows:

Assets	Estimated Life	2018	2017
Land		\$ 872,514	\$ 529,383
Building	39 Years	188,929	188,929
Building Improvements	39 Years	550,429	550,429
Statutes	5 Years	43,622	43,622
Sound Systems	5 Years	19,320	19,320
Furniture & Fixture	7 Years	9,352	9,352
Sign Board	5 Years	4,000	4,000
Property & Equipment, Gross		<u>\$ 1,688,166</u>	<u>\$ 1,345,035</u>
Accumulated Depreciation		<u>(146,234)</u>	<u>(118,836)</u>
Property & Equipment, Net		<u>\$ 1,541,932</u>	<u>\$ 1,226,199</u>
Depreciation		\$ 27,398	\$ 27,745

Capitalization

Expenditures for maintenance and repairs are charged to expenses, whereas major betterments are capitalized. The Institution capitalizes property and equipment with useful life of greater than one year for costs in excess of \$1,000.

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses balances as of December 31, 2018 and 2017, was as detailed below:

Description	2018	2017
Accounting Fees	6,000	\$ 4,000
Income Tax Payable	2,217	11,203
Total	\$8,217	\$15,203

NOTE 8: NOTES PAYABLE

CURRENT YEAR

The organization borrowed ten-year real estate loan of \$313,131 from Citizens National Bank of Texas on January 24, 2018 at 5.5% interest rate secured by property located in Real Estate Asset located at 1250 Royal Pkwy, Euless, TX 76040 with a maturity date of January 24, 2033. Monthly installment on this loan is \$2,571.56

PREVIOUS YEAR

The organization borrowed four (4) year real estate of \$112,219 from Citizens National Bank of Texas on June 22, 2017 at 5.5% interest rate secured by property located in park Center Rep Block A Lot 2A Dallas County. Monthly installment on this loan was \$2,613.97

As of December 31, 2018, and 2017, notes payable balance was \$300,479 and \$99,507 as detailed below:

Loan	2018			2017		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Citizens National Bank of Texas - Real Estate Loan	14,706	285,773	300,479	-	-	-
Citizens National Bank of Texas - Real Estate Loan	-	-	-	26,506	73,001	99,507
Total	14,706	285,773	300,479	26,506	73,001	99,507

Future maturities of notes payable as of December 31, 2018 was as follows:

Year	Short Term	Long Term	Total
2017	14,706		14,706
2018		57,155	57,155
2019		57,726	57,726
2020		58,303	58,303
2021		58,886	58,886
2022 and thereafter		53,703	53,703
	14,706	285,773	300,479

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10: NET ASSETS

The organization's net assets as of December 31, 2018 and 2017, was as follows:

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of December 31, 2016	\$ 918,331	-	\$ 918,331
Add: Changes in Net Assets	257,859	-	257,859
Released during the year	-	-	-
Balance as of December 31, 2017	\$ 1,176,190	-	\$ 1,176,190
Add: Changes in Net Assets	184,459	-	184,459
Released during the year	-	-	-
Balance as of December 31, 2018	\$ 1,360,649	-	\$ 1,360,649

NOTE 11: CONCENTRATION OF CREDIT RISK

The Organization maintains many banks accounts with large regional banks. The balances of these accounts may exceed the Federal Deposit Insurance Corporation insured \$250,000 limit. It is the Company's policy to try to ensure that the balance in any bank does not exceed \$250,000 at any time. It is, however, not practicable for an Organization of this size to maintain cash balance below \$250,000 at all times, due to the ongoing cash needs of the Company.

Concentration of credit risk with respect to accounts receivables are limited due to the large number of customers comprising The Company's customer base.

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 12: INCOME TAXES

The Organization is a non-profit entity formed for charitable purposes and is exempt from Federal and State Income Taxes under Section 501(c)(3). As such, no income tax is due from the Organization on operation related to charitable purposes. Donors may deduct contributions made to the Organization within Internal Revenue Code Regulations.

Unrelated business income

The Organization is subject to a tax on any unrelated business income. The Organization's policy is to classify income tax related interest and penalties in interest expenses.

During the fiscal year ended December 31, 2017, the organization earned a net income of \$14,218 in unrelated business income on which the organization was liable to pay \$2,217 to the IRS. During the fiscal year ended December 31, 2018 the Organization paid \$8,986 tax on its unrelated business income for prior years.

NOTE 13: RELATED PARTY TRANSACTIONS

The organization had following related party transactions during the fiscal year ended December 31, 2018 and 2017.

Personal Guarantee

The Organization borrowed \$313,131 and \$112,219 respectively from Citizens National Bank of Texas during the fiscal year ended December 31, 2018 and 2017, which was secured by real estate assets and personal guarantee of board of directors.

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 14: NET ASSETS, ACID TEST RATIO, NET ASSETS

CHANGES IN NET ASSETS

The Organization's profitability for the current and previous year are as follows:

Description	2018	2017
Unrestricted Revenues	\$ 346,748	\$ 449,538
Total Expenses (excluding Taxes)	(162,481)	(189,462)
Change in Net Assets	184,267	260,076
Tax Expenses	-	(2,217)
Net Change in Net Assets after tax	184,267	257,859

ACID TEST RATIO

The Organization's acid test ratio as of December 31, 2018 and 2017 was as follows:

Description	2018	2017
Current Assets	\$ 127,221	\$ 61,701
Current Liabilities	22,923	41,709
Acid Test Ratio	5.55:1	1.48:1

TANGIBLE NET ASSETS

The tangible net assets of the Organization as of December 31, 2018 and 2017 was as follows:

Description	2018	2017
Total Assets	\$ 1,669,153	\$ 1,290,900
Less: Total Liabilities	(308,696)	(114,710)
Net Asssets Unrestricted	1,360,457	1,176,190
Less: Intangible Assets	-	-
Tangible Net Assets	\$ 1,360,457	\$ 1,176,190

This information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

NEPALI CULTURAL & SPIRITUAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 15: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has adopted the ASU 2016-14 standards for identifying the Liquidity required to meet the expected expenses within the next twelve months, after the date of these reports. The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2018	2017
<u>Financial Assets at year end</u>		
Cash and Cash Equivalents	\$ 127,221	\$ 61,701
 <u>Less:</u>		
Those unavailable for general expenditures within one year, due to:		
Purpose and time restrictions	-	-
 Financial assets available to meet cash needs for general expenditures within one year	\$ 127,221	\$ 61,701