

MALIASILI INITIATIVES, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Years ended December 31, 2016 and 2015

MALIASILI INITATIVES, INC.
FINANCIAL STATEMENTS
Years ended December 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors
Maliasili Initiatives, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Maliasili Initiatives, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the year 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wade White & Assoc., LLC

Essex Junction, Vermont
Registration number VT092.0000684
March 8, 2017

MALIASILI INITIATIVES, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2016 and 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 143,514	\$ 502,312
Contribution receivables	500,000	-
Grant receivables	-	35,988
Other receivables	28,868	7,500
Prepaid expenses	<u>65,540</u>	<u>52,580</u>
Total current assets	737,922	598,380
Property and equipment:		
Equipment	2,190	2,190
Less: Accumulated depreciation	<u>(1,460)</u>	<u>(730)</u>
Net equipment	<u>730</u>	<u>1,460</u>
Total assets	<u>\$ 738,652</u>	<u>\$ 599,840</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities:		
Accounts payable	\$ 6,945	\$ -
Accrued expenses	31,452	45,352
Deferred revenue	<u>103,480</u>	<u>85,000</u>
Total current liabilities	141,877	130,352
Net assets:		
Unrestricted	96,775	69,488
Temporarily restricted	<u>500,000</u>	<u>400,000</u>
Total net assets	<u>596,775</u>	<u>469,488</u>
Total liabilities and net assets	<u>\$ 738,652</u>	<u>\$ 599,840</u>

See notes to financial statements

MALIASILI INITATIVES, INC.
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and public support:			
Grants	\$ 263,844	-	\$ 263,844
Contributions	7,100	500,000	507,100
Program service fees	121,263	-	121,263
Interest	125	-	125
Other income	3,518	-	3,518
	<hr/>	<hr/>	<hr/>
Total revenues and public support	395,850	500,000	895,850
Net assets released from restrictions:			
Satisfaction of program restrictions	400,000	(400,000)	-
Total	795,850	100,000	895,850
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	607,561	-	607,561
General and administrative	149,448	-	149,448
Fundraising	11,554	-	11,554
	<hr/>	<hr/>	<hr/>
Total expenses	768,563	-	768,563
Increase in net assets	27,287	100,000	127,287
Net assets, beginning of year	69,488	400,000	469,488
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 96,775</u>	<u>\$ 500,000</u>	<u>\$ 596,775</u>

See notes to financial statements

MALIASILI INITIATIVES, INC.
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and public support:			
Grants	\$ 211,202	-	\$ 211,202
Contributions	407,500	400,000	807,500
Program service fees	20,274	-	20,274
Interest	<u>136</u>	<u>-</u>	<u>136</u>
 Total revenues and public support	 639,112	 400,000	 1,039,112
Expenses:			
Program services	562,573	-	562,573
General and administrative	48,793	-	48,793
Fundraising	<u>10,836</u>	<u>-</u>	<u>10,836</u>
 Total expenses	 <u>622,202</u>	 <u>-</u>	 <u>622,202</u>
 Increase in net assets	 16,910	 400,000	 416,910
 Net assets, beginning of year	 <u>52,578</u>	 <u>-</u>	 <u>52,578</u>
 Net assets, end of year	 <u>\$ 69,488</u>	 <u>\$ 400,000</u>	 <u>\$ 469,488</u>

See notes to financial statements

MALIASILI INITATIVES, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 127,287	\$ 416,910
Adjustments to reconcile increase in unrestricted net assets to net cash used by operating activities:		
Depreciation	730	730
(Increase) decrease in:		
Contribution receivables	(500,000)	-
Grant receivables	35,988	(35,988)
Other receivables	(21,368)	(1,394)
Prepaid expenses	(12,960)	(52,580)
Increase (decrease) in:		
Accounts payable	6,945	-
Accrued expenses	(13,900)	24,476
Deferred revenue	18,480	85,000
Net cash provided (used) by operating activities	<u>(358,798)</u>	<u>437,154</u>
 Cash flows from investing activities:		
Purchases of equipment	<u>-</u>	<u>(2,190)</u>
 Net increase in cash and cash equivalents	(358,798)	434,964
 Cash and cash equivalents, beginning of year	<u>502,312</u>	<u>67,348</u>
 Cash and cash equivalents, end of year	<u>\$ 143,514</u>	<u>\$ 502,312</u>

See notes to financial statements

MALIASILI INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 1. Nature of organization and summary of significant accounting policies

Nature of organization

Maliasili Initiatives, Inc. (the "Organization") is a non-profit organization that supports the growth, development and performance of leading civil society organizations working to advance sustainable natural resource management practices in Africa.

The Organizations' mission is to support long-term, locally driven, and collaborative approaches that achieve the sustainable use and conservation of natural resources and ecosystem services in Africa, while generating opportunities for both social and economic development an enterprise.

General

The significant accounting policies of the Organization are presented to assist in understanding the Organization's financial statements. The financial statements and the notes are representations of the Organization's management. The Organization is responsible for the integrity and objectivity of the financial statements.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting.

Basis of presentation

The Organization's financial statement presentation is required by the Not-for-Profit Topic of the FASB Accounting Standards Codification. The Organization is required to report information regarding its financial position and activities according to the following three classifications of net assets based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and are classified as either undesignated or Board designated. Board designated net assets represent unrestricted net assets designated by the Board of Directors of the Organization for specified purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in unrestricted net assets as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

As of December 31, 2016 and 2015, the Organization had unrestricted net assets of \$96,755 and \$69,488 and temporarily restricted net assets of \$500,000 and \$400,000, respectively. Refer to Note 5 for additional detail regarding the temporarily restricted net assets.

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

MALIASILI INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 1. Nature of organization and summary of significant accounting policies (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents

Grants, contributions and other receivables

Grants, contributions and other receivables are stated at the amount management expects to collect from outstanding balances at December 31, 2016 and 2015. Management writes off accounts when they are deemed uncollectible and establishes an allowance for doubtful accounts at year end for estimated uncollectible amounts. No allowance for doubtful accounts has been established for receivables, as the Organization believes all amounts will be collected.

Contribution receivables were received in their entirety during January 2017.

Property and equipment

Property is recorded at cost, except for donated assets which are recorded at estimated fair value at the date of donation. Material assets with a useful life in excess of one year are capitalized. Depreciation is computed on the straight line basis over the estimated useful lives of the related assets as follows:

Furniture and equipment	3 – 5 years
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Depreciation expense was \$730 during the years ending December 31, 2016 and 2015, respectively.

Deferred revenue

Deferred revenue represents amounts received by the Organization which have not yet been earned. Amounts are earned as services are provided under the respective contract agreement. Refer to Note 4 for additional information regarding deferred revenue.

Fair value measurements and financial instruments

The Company adopted FASB ASC 820, Fair Value Measurements and Disclosures, for assets and liabilities measured at fair value on a recurring basis. The codification established a common definition for fair value to be applied to existing generally accepted accounting principles that requires the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, FASB ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

MALIASILI INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 1. Nature of organization and summary of significant accounting policies (continued)

The Organization's other financial instruments consist primarily of cash, receivables, and deferred revenue. The carrying amount of cash, receivables, and deferred revenue approximate their fair value due to the short-term nature of such instruments.

Contributions and grants

Contributions and grants received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions and grants received are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in unrestricted net assets as net assets released from restrictions.

Restricted contributions and grants that meet the restriction in the same reporting period are reported as increases in unrestricted net assets.

Income taxes

The Organization is a non-profit private foundation organization exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income; therefore, no provision for income taxes has been made in the accompanying financial statements. The Organization believes it has taken no uncertain tax positions that could have an effect on its financial statements.

The Organization annually files an IRS Form 990-PF, *Return of Private Foundation*, tax return in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal income tax examination by tax authorities for the years prior to 2013. In the normal course of business, the Organization is subject to examination by various taxing authorities. Although the outcome of tax audits is always uncertain, the Organization believes there are no significant unrecognized tax liabilities at December 31, 2016 and 2015, respectively.

Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation with no effect on previously reported change in net assets.

Subsequent events

The Organization has evaluated all subsequent events through March 8, 2017, the date the financial statements were available to be issued.

Note 2. Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of the following:

	<u>2016</u>	<u>2015</u>
Grant, contributions and other receivables	\$ <u>528,868</u>	\$ <u>43,488</u>

MALIASILI INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 2. Concentrations of credit risk (continued)

Bank balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to the prevailing FDIC limit. The Organization had no uninsured cash balances for the year ending December 31, 2016 and 2015, respectively.

Note 3. Concentrations

The Organization received approximately 56% and 77% of its revenue and public support from one contributor during the year ending December 31, 2016 and 2015, respectively.

Note 4. Deferred revenue

Deferred revenue represents grant funds received by the Organization in advance of contractual services being performed. The following details deferred revenue at December 31,:

	<u>2016</u>	<u>2015</u>
Re-granting requirements	\$ 85,000	\$ 85,000
Northern Tanzania Rangelands	<u>18,480</u>	<u>-</u>
Total deferred revenue	<u>\$ 103,480</u>	<u>\$ 85,000</u>

Note 5. Restricted net assets

Restricted net assets consist of contributions received by the Organization in which the donor has placed certain restrictions on the use of the funds. The following details restricted net assets at December 31,:

	<u>2016</u>	<u>2015</u>
Contributions received as of December 31, 2016, which are restricted for 2017 expenses.	\$ <u>500,000</u>	\$ <u>-</u>
Contributions received as of December 31, 2015, which are restricted for 2016 expenses.	\$ <u>-</u>	\$ <u>400,000</u>

Note 6. Grant contingencies

The Organization receives grant funding from various sources. The Organization is generally required to use the funds within a certain period and for purposes specified by the governing laws and regulations. If expenditures were found not to have been made in compliance with the laws and regulations, the Organization might be required to repay the funds. No provisions have been made for this contingency because specific amounts, if any, have not been determined or assessed as of December 31, 2016 and 2015, respectively.

MALIASILI INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 7. Lease commitments

The Organization leases office space under operating leases with initial terms less than one year.

As of December 31, 2016, the Organization leased space under a lease arrangement that requires monthly lease payments of \$800. The lease term was originally for seven months ending December 2016, however, it was extended for a twelve month period ending December 2017.

During the year ending December 31, 2015, the Organization leased space under a lease arrangement that required monthly lease payments of approximately \$300. The lease term was for eight months and expires December 2015.

Rent expense recognized under the arrangements was \$5,968 and \$3,538 for the years ending December 31, 2016 and 2015, respectively.

Note 8. Retirement plan

During the year ending December 31, 2016, the Organization established a safe harbor 401(k) profit sharing plan covering substantially all employees whereby participants may elect to defer a portion of their salary. An employee becomes eligible to participate after 1 year of service and having attained age 21. The Organization makes the required safe harbor contribution and determines any additional discretionary contributions on an annual basis after close of the plan year. For the year ended December 31, 2016, the Company made no matching and discretionary contributions.

SUPPLEMENTARY INFORMATION

MALIASILI INITATIVES, INC.
SCHEDULE I - SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	<u>Program</u> <u>Costs</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salary and wages	\$ 85,601	\$ 77,694	\$ 5,773	\$ 169,068
Payroll taxes and benefits	6,577	5,969	444	12,990
Employee Benefits	<u>8,272</u>	<u>7,508</u>	<u>557</u>	<u>16,337</u>
Total personnel	100,450	91,171	6,774	198,395
Board and meetings	5,900	-	-	5,900
Bank fees	-	4,546	-	4,546
Communications and publications	13,669	-	-	13,669
Consulting	76,792	-	-	76,792
Depreciation	-	730	-	730
Insurance	-	1,762	-	1,762
License & Permits	679	7,742	-	8,421
Miscellaneous	121	832	-	953
Networking	4,034	-	13	4,047
Office expense	6,237	12,855	272	19,364
Professional fees	-	9,178	-	9,178
Rent	-	5,968	-	5,968
Subcontractors	176,941	14,506	2,071	193,518
Subgrants	165,000	-	-	165,000
Travel	<u>57,738</u>	<u>158</u>	<u>2,424</u>	<u>60,320</u>
 Total	 <u>\$ 607,561</u>	 <u>\$ 149,448</u>	 <u>\$ 11,554</u>	 <u>\$ 768,563</u>

See independent auditor's report

MALIASILI INITIATIVES, INC.
SCHEDULE II - SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Program <u>Costs</u>	General and <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salary and wages	\$ 85,595	\$ 27,540	\$ 6,205	\$ 119,340
Payroll taxes and benefits	7,514	2,418	544	10,476
Employee Benefits	<u>13,345</u>	<u>2,355</u>	<u>-</u>	<u>15,700</u>
Total personnel	106,454	32,313	6,749	145,516
Board and meetings	12,281	-	-	12,281
Bank fees	65	2,146	-	2,211
Communications and publications	20,179	-	-	20,179
Depreciation	730	-	-	730
Global Land Forum	26,800	-	-	26,800
License & Permits	-	2,635	-	2,635
Miscellaneous	13	-	-	13
Networking	10,346	42	-	10,388
Office expense	879	4,450	50	5,379
Professional fees	-	750	-	750
Professional development	3,634	-	-	3,634
Rent	-	3,538	-	3,538
Subcontractors	131,091	2,518	437	134,046
Subgrants	183,800	-	-	183,800
Technical support services	20,050	-	-	20,050
Travel	<u>46,251</u>	<u>401</u>	<u>3,600</u>	<u>50,252</u>
 Total	 <u>\$ 562,573</u>	 <u>\$ 48,793</u>	 <u>\$ 10,836</u>	 <u>\$ 622,202</u>

See independent auditor's report