

MALIASILI INITIATIVES, INC.  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
Years ended December 31, 2017 and 2016

MALIASILI INITATIVES, INC.  
FINANCIAL STATEMENTS  
Years ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 23, 2018

MALIASILI INITIATIVES, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 247,331	\$ 143,514
Contribution receivables	5,200	500,000
Other receivables	10,064	28,868
Prepaid expenses	<u>20,907</u>	<u>65,540</u>
Total current assets	283,502	737,922
Property and equipment:		
Equipment	2,190	2,190
Less: Accumulated depreciation	<u>(2,190)</u>	<u>(1,460)</u>
Net equipment	<u>-</u>	<u>730</u>
Total assets	<u>\$ 283,502</u>	<u>\$ 738,652</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Note payable	\$ 75,000	\$ -
Accounts payable	36,413	6,945
Accrued expenses	39,608	31,452
Deferred revenue	<u>10,929</u>	<u>103,480</u>
Total current liabilities	161,950	141,877
Net assets:		
Unrestricted	(73,641)	96,775
Temporarily restricted	<u>195,193</u>	<u>500,000</u>
Total net assets	<u>121,552</u>	<u>596,775</u>
Total liabilities and net assets	<u>\$ 283,502</u>	<u>\$ 738,652</u>

See notes to financial statements

MALIASILI INITATIVES, INC.  
STATEMENT OF ACTIVITIES  
AND CHANGES IN NET ASSETS  
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and public support:			
Grants	\$ 294,266	195,193	\$ 489,459
Contributions	15,200	-	15,200
Program service fees	78,065	-	78,065
Interest	125	-	125
Other income	<u>3,582</u>	<u>-</u>	<u>3,582</u>
Total revenues and public support	391,238	195,193	586,431
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
Total	891,238	(304,807)	586,431
Expenses:			
Program services	819,006	-	819,006
General and administrative	173,709	-	173,709
Fundraising	<u>68,939</u>	<u>-</u>	<u>68,939</u>
Total expenses	<u>1,061,654</u>	<u>-</u>	<u>1,061,654</u>
Change in net assets	(170,416)	(304,807)	(475,223)
Net assets, beginning of year	<u>96,775</u>	<u>500,000</u>	<u>596,775</u>
Net assets, end of year	<u>\$ (73,641)</u>	<u>\$ 195,193</u>	<u>\$ 121,552</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	<u>3,518</u>	<u>-</u>	<u>3,518</u>
Total revenues and public support	395,850	500,000	895,850
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>400,000</u>	<u>(400,000)</u>	<u>-</u>
Total	795,850	100,000	895,850
Expenses:			
Program services	607,561	-	607,561
General and administrative	149,448	-	149,448
Fundraising	<u>11,554</u>	<u>-</u>	<u>11,554</u>
Total expenses	<u>768,563</u>	<u>-</u>	<u>768,563</u>
Change in net assets	27,287	100,000	127,287
Net assets, beginning of year	<u>69,488</u>	<u>400,000</u>	<u>469,488</u>
Net assets, end of year	<u>\$ 96,775</u>	<u>\$ 500,000</u>	<u>\$ 596,775</u>

See notes to financial statements

MALIASILI INITATIVES, INC.  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (475,223)	\$ 127,287
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	730	730
(Increase) decrease in:		
Contribution receivables	494,800	(500,000)
Grant receivables	-	35,988
Other receivables	18,804	(21,368)
Prepaid expenses	44,633	(12,960)
Increase (decrease) in:		
Accounts payable	29,468	6,945
Accrued expenses	8,156	(13,900)
Deferred revenue	(92,551)	18,480
Net cash provided (used) by operating activities	<u>28,817</u>	<u>(358,798)</u>
 Cash flows from financing activities:		
Proceeds from loans	<u>75,000</u>	<u>-</u>
Net cash provided by financing activities	<u>75,000</u>	<u>-</u>
 Net increase in cash and cash equivalents	103,817	(358,798)
 Cash and cash equivalents, beginning of year	<u>143,514</u>	<u>502,312</u>
 Cash and cash equivalents, end of year	<u>\$ 247,331</u>	<u>\$ 143,514</u>

See notes to financial statements



MALIASILI INITIATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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, 2017 and 2016, the Organization had unrestricted net assets of (\$73,641) and \$96,755 and temporarily restricted net assets of \$195,000 and \$500,000, respectively. Refer to Note 6 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, 2017 and 2016

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, 2017 and 2016. 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 2018.

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 and a cost greater than \$2,000 are capitalized. Depreciation is computed on the straight line basis over the estimated useful lives of the related assets as follows:

Computer equipment	3 years
Furniture and equipment	5 years

Depreciation expense was \$730 during the years ending December 31, 2017 and 2016, 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, 2017 and 2016

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 2014. 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, 2017 and 2016, respectively.

During the year ending December 31, 2017, the Organization notified the IRS of its intent to terminate its private foundation status and operate as a public charity as described on IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). The Organization must operate as a public charity for a 60 month period which ends December 2022, after which the IRS will consider the Organization a public charity for all purposes from the beginning of the 60 month period and thereafter.

Subsequent events

The Organization has evaluated all subsequent events through March 23, 2018, 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>2017</u>	<u>2016</u>
Grant, contributions and other receivables	\$ <u>15,264</u>	\$ <u>528,868</u>

MALIASILI INITIATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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, 2017 and 2016, respectively.

Note 3. Concentrations

The Organization received approximately 27% and 56% of its revenue and public support from a single contributor or grantor during the year ending December 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Northern Tanzania Rangelands	\$ 10,929	\$ 18,480
Re-granting requirements	<u>-</u>	<u>85,000</u>
Total deferred revenue	<u>\$ 10,929</u>	<u>\$ 103,480</u>

Note 5. Note payable

During the year ending December 31, 2017, the Organization obtained financing through a short term loan agreement with a Board member. The following details the terms of the arrangement at December 31,:

	<u>2017</u>	<u>2016</u>
Zero percent interest rate with principal payable in full January 2018.	\$ <u>75,000</u>	\$ <u>-</u>

The note payable was paid in full January 2018.

Note 6. 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>2017</u>	<u>2016</u>
Programs to be performed in 2018	\$ 195,193	\$ -
Contributions received in 2016 which are restricted for 2017 expenses	<u>-</u>	<u>500,000</u>
Total temporarily restricted net assets	<u>\$ 195,193</u>	<u>\$ 500,000</u>

MALIASILI INITIATIVES, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Note 7. 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, 2017 and 2016, respectively.

Note 8. Lease commitments

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

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

As of December 31, 2017, the Organization extended the lease for a second twelve month period expiring December 31, 2018.

Rent expense recognized under the arrangement was \$9,600 and \$5,968 for the years ending December 31, 2017 and 2016, respectively.

Note 9. 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 years ended December 31, 2017 and 2016, the Company made \$7,938 and \$0 in matching and discretionary contributions.

Note 10. Subsequent event

During January 2018, the Organization received a \$700,000 grant for the funding of 2018 expenditures.

SUPPLEMENTARY INFORMATION

MALIASILI INITIATIVES, INC.  
SCHEDULE I - SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2017

	Program <u>Costs</u>	General and <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salary and wages	\$ 150,016	\$ 81,143	\$ 33,441	\$ 264,600
Payroll taxes and benefits	11,960	6,469	2,666	21,095
Employee Benefits	<u>14,949</u>	<u>5,206</u>	<u>5,348</u>	<u>25,503</u>
Total personnel	176,925	92,818	41,455	311,198
Board and meetings	19,431	-	-	19,431
Bank fees	-	8,939	20	8,959
Communications and publications	3,235	-	-	3,235
Consulting	49,015	-	-	49,015
Depreciation	-	730	-	730
Insurance	-	5,548	-	5,548
License & Permits	658	3,598	-	4,256
Miscellaneous	100	6,069	-	6,169
Networking	34,831	-	13,353	48,184
Office expense	1,698	24,439	464	26,601
Professional development	788	-	-	788
Professional fees	-	10,735	-	10,735
Rent	-	9,600	-	9,600
Subcontractors	299,216	11,164	5,334	315,714
Subgrants	160,000	-	-	160,000
Travel	<u>73,109</u>	<u>69</u>	<u>8,313</u>	<u>81,491</u>
 Total	 <u>\$ 819,006</u>	 <u>\$ 173,709</u>	 <u>\$ 68,939</u>	 <u>\$ 1,061,654</u>

See independent auditor's report

MALIASILI INITATIVES, INC.  
SCHEDULE II - 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