

MALIASILI INITIATIVES, INC.

Essex Junction, Vermont

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**



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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Maliasili Initiatives, Inc.
Essex Junction, Vermont

We have audited the accompanying consolidated financial statements of Maliasili Initiatives, Inc. and Subsidiary, (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maliasili Initiatives, Inc. and Subsidiary, as of December 31, 2021, and the 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

BLACKMAN & SLOOP, CPAs, PA.

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Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it 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 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 the Organization'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 the Organization'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Blackman & Sloop

Chapel Hill, North Carolina
June 23, 2022

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,947,771	\$ 3,100,995
Accounts receivable	24,700	40,917
Employee advances receivable	12,915	3,411
Grants and contributions receivable	153,000	921,859
Prepaid expenses	11,449	6,879
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	4,149,835	4,074,061
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT:		
Property and equipment	3,763	2,190
Less: accumulated depreciation	-	(2,190)
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, NET	3,763	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 4,153,598	\$ 4,074,061
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,647	\$ 1,124
Accrued payroll related expenses	17,905	63,374
Grants payable	221,500	442,788
Deferred revenue	-	7,500
	<hr/>	<hr/>
TOTAL LIABILITIES	248,052	514,786
	<hr/>	<hr/>
NET ASSETS:		
Without donor restrictions	1,748,867	1,576,410
With donor restrictions	2,156,679	1,982,865
	<hr/>	<hr/>
TOTAL NET ASSETS	3,905,546	3,559,275
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 4,153,598	\$ 4,074,061
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The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended December 31, 2021 and 2020

Page 1 of 2

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
SUPPORT AND REVENUE:				
SUPPORT:				
Grant revenue	\$ 580,966	\$ 2,167,834	\$ 2,748,800	\$ 3,791,125
Contributions	874,908	-	874,908	1,222,790
Donated services revenue	-	-	-	7,000
TOTAL SUPPORT	1,455,874	2,167,834	3,623,708	5,020,915
REVENUE:				
Program service fees	216,961	-	216,961	191,914
Forgiveness of Paycheck Protection Program loan	-	-	-	89,940
Other income	13,395	-	13,395	7,470
TOTAL REVENUE	230,356	-	230,356	289,324
	1,686,230	2,167,834	3,854,064	5,310,239
Net assets released from restrictions	1,994,020	(1,994,020)	-	-
TOTAL SUPPORT AND REVENUE	3,680,250	173,814	3,854,064	5,310,239
EXPENSES:				
Program services	2,673,931	-	2,673,931	2,717,090
Management and general	807,062	-	807,062	479,318
Fundraising	26,800	-	26,800	15,887
TOTAL EXPENSES	3,507,793	-	3,507,793	3,212,295
CHANGES IN NET ASSETS	172,457	173,814	346,271	2,097,944
NET ASSETS - BEGINNING OF YEAR	1,576,410	1,982,865	3,559,275	1,461,331
NET ASSETS - END OF YEAR	\$ 1,748,867	\$ 2,156,679	\$ 3,905,546	\$ 3,559,275

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended December 31, 2021 and 2020

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	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
SUPPORT:			
Grant revenue	\$ 1,248,042	\$ 2,543,083	\$ 3,791,125
Contributions	822,790	400,000	1,222,790
Donated services revenue	7,000	-	7,000
TOTAL SUPPORT	2,077,832	2,943,083	5,020,915
REVENUE:			
Program service fees	191,914	-	191,914
Forgiveness of Paycheck Protection Program loan	89,940	-	89,940
Other income	7,470	-	7,470
TOTAL REVENUE	289,324	-	289,324
	2,367,156	2,943,083	5,310,239
Net assets released from restrictions	2,111,514	(2,111,514)	-
TOTAL SUPPORT AND REVENUE	4,478,670	831,569	5,310,239
EXPENSES:			
Program services	2,717,090	-	2,717,090
Management and general	479,318	-	479,318
Fundraising	15,887	-	15,887
TOTAL EXPENSES	3,212,295	-	3,212,295
CHANGES IN NET ASSETS	1,266,375	831,569	2,097,944
NET ASSETS - BEGINNING OF YEAR	310,035	1,151,296	1,461,331
NET ASSETS - END OF YEAR	\$ 1,576,410	\$ 1,982,865	\$ 3,559,275

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 346,271	\$ 2,097,944
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(89,940)
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	16,217	(20,369)
Employee advances receivable	(9,504)	(1,911)
Grants and contributions receivable	768,859	(725,427)
Prepaid expenses	(4,570)	7,482
Accounts payable	7,523	(55,578)
Other accrued expenses	-	(2,910)
Accrued payroll related expenses	(45,469)	33,008
Grants payable	(221,288)	369,230
Deferred revenue	(7,500)	(30,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>850,539</u>	<u>1,581,529</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(3,763)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>89,940</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	846,776	1,671,469
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,100,995</u>	<u>1,429,526</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,947,771</u>	<u>\$ 3,100,995</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Noncash activity:		
Donated services	<u>\$ -</u>	<u>\$ 7,000</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended December 31, 2021 and 2020

Page 1 of 2

	2021			2020	
	Program Services	Management and General	Fundraising	Totals	Totals
Salaries and wages	\$ 565,711	\$ 394,688	\$ 20,033	\$ 980,432	\$ 826,680
Employee benefits	45,457	43,631	3,703	92,791	86,852
Payroll taxes	21,038	17,854	1,486	40,378	41,575
Total personnel	632,206	456,173	25,222	1,113,601	955,107
Grants to partners	1,358,750	-	-	1,358,750	1,664,145
Subcontractors	423,415	140,890	1,222	565,527	325,441
Consulting	176,170	37,858	309	214,337	64,669
Travel	40,731	19,858	35	60,624	36,459
Office expense	3,593	50,508	-	54,101	46,331
Professional fees	78	53,003	-	53,081	43,965
Networking and meetings	18,983	3,657	12	22,652	15,406
Communications and publications	12,164	3,016	-	15,180	6,743
Professional development	339	11,573	-	11,912	3,266
Dues, fees, and taxes	2,996	6,184	-	9,180	2,352
Bank fees	7	7,969	-	7,976	2,907
Board and team meetings	3,229	3,879	-	7,108	5,350
Insurance	-	6,062	-	6,062	6,590
Rent and lease expense	-	5,189	-	5,189	5,496
Miscellaneous	1,270	1,243	-	2,513	350
Grants to Maliasili Initiatives Tanzania	-	-	-	-	27,718
Total functional expenses	\$ 2,673,931	\$ 807,062	\$ 26,800	\$ 3,507,793	\$ 3,212,295

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended December 31, 2021 and 2020

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	2020			Totals
	Program Services	Management and General	Fundraising	
Salaries and wages	\$ 554,203	\$ 260,986	\$ 11,491	\$ 826,680
Employee benefits	52,852	32,793	1,207	86,852
Payroll taxes	18,750	22,345	480	41,575
Total personnel	625,805	316,124	13,178	955,107
Grants to partners	1,664,145	-	-	1,664,145
Subcontractors	283,538	39,194	2,709	325,441
Consulting	61,834	2,835	-	64,669
Travel	27,839	8,620	-	36,459
Office expense	7,607	38,724	-	46,331
Professional fees	300	43,665	-	43,965
Networking and meetings	7,967	7,439	-	15,406
Communications and publications	3,895	2,848	-	6,743
Professional development	-	3,266	-	3,266
Dues, fees, and taxes	737	1,615	-	2,352
Bank fees	5	2,902	-	2,907
Board and team meetings	5,350	-	-	5,350
Insurance	-	6,590	-	6,590
Rent and lease expense	-	5,496	-	5,496
Miscellaneous	350	-	-	350
Grants to Maliasili Initiatives Tanzania	27,718	-	-	27,718
Total functional expenses	\$ 2,717,090	\$ 479,318	\$ 15,887	\$ 3,212,295

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NATURE OF ACTIVITIES

Maliasili Initiatives, Inc., 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.

Maliasili Africa was organized in Kenya during 2020 as an arm of Maliasili Initiatives, Inc. Maliasili Initiatives, Inc., has both control and economic interest in Maliasili Africa, and Maliasili Africa is treated as a wholly owned subsidiary of Maliasili Initiatives, Inc. These two entities are referred to collectively as the “Organization.”

The Organization’s 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 and enterprise.

The Organization was affiliated with Maliasili Initiatives Tanzania, which was dissolved during 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Basis of Accounting.**

The Organization’s consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, support and revenue are recognized when earned, and expenses are recognized when the obligation is incurred.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

B. Principles of Consolidation.

The consolidated financial statements include the accounts of Maliasili Initiatives, Inc., and Maliasili Africa. If applicable, all significant intercompany accounts and transactions are eliminated in consolidation. There were no such transactions during the years ended December 31, 2021 and 2020.

C. Cash and Cash Equivalents.

Cash and cash equivalents consist of monies on deposit at financial institutions and money market funds. At times, the Organization places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Organization has not experienced any financial loss related to such deposits.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Accounts Receivable.

Accounts receivable are recorded at net realizable value. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in collection. As of December 31, 2021 and 2020, management deemed all receivables fully collectible.

E. Grants and Contributions Receivable.

Unconditional grants and contributions that are expected to be collected within one year, are recorded at net realizable value and are recognized as support and assets in the period received. Unconditional grants and contributions 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 discount is included in grant and contribution revenue in the consolidated statements of activities and changes in net assets. Conditional promises to give are recognized when conditions on which they depend are substantially met.

The Organization provides an allowance for uncollectible accounts equal to the estimated losses that are expected to be incurred in collection. The allowance is based on historical collection experience and a review by management of the current status of the existing grants and contributions receivable. As of December 31, 2021 and 2020, management deemed all grants and contributions receivable fully collectible.

F. Property and Equipment.

Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Property and equipment are capitalized if their life is expected to be greater than one year and their value exceeds \$2,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred.

G. Revenue and Revenue Recognition.

The Organization is primarily funded by grants and contributions. Unconditional grants and contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Conditional grants and contributions receivable, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Revenue and Revenue Recognition (continued).

Revenue from contracts which are deemed to be exchange transactions are recognized as revenue without donor restrictions at the point(s) in time the performance obligation is completed, or over time as the obligations are completed in accordance with the agreement. Deferred revenue from exchange transactions results when cash receipts exceed revenue recognized.

H. Grant Expense.

Grant expense and the corresponding grants payable are recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. All grants payable are due within one year at December 31, 2021 and 2020.

I. Net Assets.

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

Net Assets With Donor Restrictions - Net assets 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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

J. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Tax Status.

The Organization had been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has been determined to be a private foundation as defined by Section 509(a). 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 the 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.

The Organization believes it has taken no uncertain tax positions that could have an effect on its financial statements. If applicable, penalties and interest assessed by income taxing authorities related to uncertain tax positions are included in miscellaneous expense in the consolidated statements of activities and changes in net assets.

LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at June 30:

Liquid Current Assets:	2021	2020
Cash and cash equivalents	\$ 3,947,771	\$ 3,100,995
Accounts receivable	37,615	44,328
Grant and contribution receivable	153,000	921,859
	<u>4,138,386</u>	<u>4,067,182</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor	(2,156,679)	(1,982,865)
Designation by board as operating reserve	<u>(275,000)</u>	<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,706,707</u>	<u>\$ 2,059,317</u>

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The calculated number above assumes that funding streams stop, and the Organization would be required to meet general expenditures by utilizing only the assets on hand. The Organization operates with a budget and anticipates collecting sufficient revenue, and would adjust spending if sufficient revenue was not obtained. Additionally, the board could undesignate the funds noted above as an operating reserve, if considered necessary. Management believes the financial assets available are sufficient to cover general expenditures within one year.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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GRANTS AND CONTRIBUTIONS RECEIVABLE

Unconditional grants and contributions receivable at December 31, 2021 and 2020, are estimated to be collected within one year.

Conditional grants and contributions receivable at December 31, 2020, totaled \$333,334, and were recognized as revenue when the conditions upon which they depend were substantially met in the year ended December 31, 2021. There were no conditional grants and contributions at December 31, 2021.

EMPLOYEE BENEFIT PLANS

Employees of Maliasili Initiatives, Inc., are participants of a 401(k) plan upon date of hire. The Organization contributes 3% of salaries and wages each year for all employees, which is fully vested. Employer contributions totaled \$16,194 and \$16,000, for the years ended December 31, 2021 and 2020, respectively. Employees of Maliasili Africa participate in the National Social Security Fund (“NSSF”) of Kenya, which is a defined contribution plan. Contributions are determined by local statute as legislated. Employer expenses for the NSSF plan totaled \$163 and \$85, for the years ended December 31, 2021 and 2020, respectively.

COMPENSATED ABSENCES

During the year ended December 31, 2021, the Organization modified the vacation policy to allow employees unlimited amounts of vacation taken as approved by management on a discretionary basis. As such, vacation is no longer accrued and there is no liability at December 31, 2021. During the previous year, the Organization allowed full-time employees to accrue vacation at the rate of two days per month, up to 20 days for the year. The policy stated that a maximum of five days may be carried over from year to year. However, at December 31, 2020, management temporarily modified this policy to allow ten days to carry over into 2021. As of December 31, 2020, accrued vacation totaled \$37,333. Accrued vacation was included in accrued payroll related expenses in the consolidated statements of financial position.

RELATED PARTY TRANSACTIONS

The Organization works with various partners in multiple countries to achieve its mission. Most partners are not affiliated in any way. In 2018, Maliasili Initiatives, Inc., was established in Tanzania (“MIT”). The Organization is affiliated with MIT, but transactions are not required to be consolidated in accordance with U.S. GAAP, since the Organization does not have a controlling financial interest nor economic interest. MIT was dissolved during 2020. The Organization granted MIT \$27,718 during the year ended December 31, 2020.

DONATED PROPERTY, FACILITIES, AND SERVICES

The Organization recognizes donated services that create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. The Organization did not recognize any donated professional services during the year ended December 31, 2021. The Organization recognized \$7,000 in donated services during the year ended December 31, 2020.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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DONATED PROPERTY, FACILITIES, AND SERVICES (CONTINUED)

Additionally, a number of persons have donated a significant amount of time and services to the Organization's operations that have not been recognized in the accompanying consolidated financial statements.

REVENUE FROM CONTRACTS WITH CUSTOMERS*Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the revenue standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's contracts have multiple performance obligations, which are fulfilled at multiple points in time.

Performance Obligations Satisfied at Multiple Points in Time

The Organization enters into fixed-price contracts with customers to provide services or produce specific products. Obligations sometimes span multiple accounting periods, and revenue is recognized based on what services or products have been delivered or provided to the customer prior to the period end. The Organization believes recognition at multiple points in time is appropriate for these contracts. Revenue recognized includes cumulative amounts previously deferred for funds received prior to the Organization fulfilling the obligations.

In the event of material changes in the scope, nature, duration, or volume of services established by a contract, there may be negotiations to modify the existing contract, or establish a new contract to reflect the changes. Revenue recognition from renegotiated contracts use the same methodology as was applied to the original contract.

Total revenue recognized in the years ending December 31, 2021 and 2020, for performance obligations completed at multiple points in time totaled \$216,961 and \$191,914, respectively. There is no deferred revenue at December 31, 2021, representing funds received during the year for performance obligations not yet fulfilled.

Deferred revenue of \$7,500 at December 31, 2020, was recognized as revenue during the year ended December 31, 2021, when the performance obligations were fulfilled. There were receivables related to contracts with customers totaling \$24,700 and \$40,917, at December 31, 2021 and 2020, respectively, which are included in accounts receivable on the consolidated statements of financial position.

General

Revenue will vary depending on how many partners would like to contract with the Organization for the support services and products they are able to provide. Additionally, economic factors could impact how many partners need the Organization's assistance.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions includes \$275,000 and \$25,000, at December 31, 2021 and 2020, respectively, designated by the board as an operating reserve.

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Maasai Landscape Conservation Fund	\$ 1,197,425	\$ 1,316,091
General Grants to Partners	250,000	230,000
Mara Conservancies Emergency Fund	227,500	-
Transforming African Conservation's Marketplace	150,000	100,000
Marine Leadership Program	110,400	74,750
Planning, designing, and organizing three African Conservation Network workshops	84,000	87,632
Madagascar Leadership Program	75,000	-
Supporting Kenya Wildlife Conservancies Association	50,000	50,000
General Program Support	<u>12,354</u>	<u>124,392</u>
Total net assets with donor restrictions	<u>\$ 2,156,679</u>	<u>\$ 1,982,865</u>

CONCENTRATIONS

Support from three funding sources constitutes 51% of total support and revenue received during the year ended December 31, 2021. Support from two funding sources constitutes 50% of total support and revenue received during the year ended December 31, 2020. Grants and contributions receivable from one donor represents 100% and 76% of total grants and contributions receivable at December 31, 2021 and 2020, respectively. A loss or significant decline in these funding sources could have a detrimental impact on the operations of the Organization.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2020 financial statements in order to conform to 2021 presentation. Such reclassifications had no effect on net assets.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and consolidated statements of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited based on specific identification of expenditures and management estimates of time and resources devoted to those functions.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, some expenses require allocation on a reasonable basis that is consistently applied. Expenses such as salaries and wages, payroll taxes, employee benefits, and subcontractors are allocated on the basis of estimates of time and effort. Other expenses are directly coded to the appropriate function as incurred.

CONTINGENCIES

The Organization is the recipient of grants for specific purposes that are subject to review and final audit by the grantor agencies. Such review and audit could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under the compliance terms of the grant.

The ongoing novel coronavirus (“COVID-19”) pandemic and restrictions on non-essential businesses have caused disruption in the U.S. and global economies. Despite significant market rebounds across many asset classes, the continued rapid development of this situation and uncertainty regarding potential economic recovery precludes any prediction as to the ultimate adverse impact of COVID-19 on financial market and economic conditions. The estimates and assumptions underlying these financial statements are based on the information available as of December 31, 2021, including judgments about the financial market and economic conditions which may change over time.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through June 23, 2022, which was the date that the consolidated financial statements were available to be issued. The Organization was granted \$8M of unrestricted funding subsequent to year end. Management did not identify any additional events that occurred subsequent to year-end that require disclosure in the consolidated financial statements.