

**MALIASILI INITIATIVES, INC.
AND SUBSIDIARY**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**



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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Maliasili Initiatives, Inc. and Subsidiary

Opinion

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, 2023 and 2022, 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, 2023 and 2022, 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.

Responsibilities 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.

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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.

Balance + Strategy

Chapel Hill, North Carolina
July 1, 2024

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

December 31, 2023 and 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,934,905	\$ 6,236,684
Accounts receivable	86,345	10,000
Employee advances receivable	1,765	3,851
Grants and contributions receivable	913,874	1,269,896
Prepaid expenses	101,211	49,739
TOTAL CURRENT ASSETS	<u>5,038,100</u>	<u>7,570,170</u>
PROPERTY AND EQUIPMENT:		
Property and equipment	2,662	6,425
Less: accumulated depreciation	(1,109)	(1,476)
PROPERTY AND EQUIPMENT, NET	<u>1,553</u>	<u>4,949</u>
OTHER ASSETS:		
Cash and cash equivalents, noncurrent	2,772,813	5,588,684
Grants and contributions receivable, noncurrent	232,298	124,573
Investments	3,643,041	441,331
Right of use asset - operating lease	113,924	-
TOTAL OTHER ASSETS	<u>6,762,076</u>	<u>6,154,588</u>
TOTAL ASSETS	<u>\$ 11,801,729</u>	<u>\$ 13,729,707</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 70,378	\$ 42,649
Accrued payroll related expenses	12,470	16,633
Grants payable	250,000	310,000
Operating lease liability, current	32,454	-
TOTAL CURRENT LIABILITIES	<u>365,302</u>	<u>369,282</u>
OTHER LIABILITIES:		
Operating lease liability, noncurrent	84,660	-
TOTAL LIABILITIES	<u>449,962</u>	<u>369,282</u>
NET ASSETS:		
Without donor restrictions	8,014,545	9,862,155
With donor restrictions	3,337,222	3,498,270
TOTAL NET ASSETS	<u>11,351,767</u>	<u>13,360,425</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,801,729</u>	<u>\$ 13,729,707</u>

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, 2023 and 2022

Page 1 of 2

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
SUPPORT AND REVENUE:				
SUPPORT:				
Grant revenue	\$ 1,337,501	\$ 2,810,284	\$ 4,147,785	\$ 5,512,897
Contributions	7,150	300,000	307,150	9,000,550
TOTAL SUPPORT	1,344,651	3,110,284	4,454,935	14,513,447
REVENUE:				
Program service fees	365,009	-	365,009	314,872
Other income	74,565	-	74,565	27,882
Net investment return	385,840	-	385,840	30,015
TOTAL REVENUE	825,414	-	825,414	372,769
	2,170,065	3,110,284	5,280,349	14,886,216
Net assets released from restrictions	3,271,332	(3,271,332)	-	-
TOTAL SUPPORT AND REVENUE	5,441,397	(161,048)	5,280,349	14,886,216
EXPENSES:				
Program services	6,280,591	-	6,280,591	4,401,307
Management and general	832,468	-	832,468	957,951
Fundraising	175,948	-	175,948	72,079
TOTAL EXPENSES	7,289,007	-	7,289,007	5,431,337
CHANGES IN NET ASSETS	(1,847,610)	(161,048)	(2,008,658)	9,454,879
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	9,862,155	3,498,270	13,360,425	3,905,546
NET ASSETS - END OF YEAR	\$ 8,014,545	\$ 3,337,222	\$ 11,351,767	\$ 13,360,425

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, 2023 and 2022

Page 2 of 2

	2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
SUPPORT:			
Grant revenue	\$ 1,712,970	\$ 3,799,927	\$ 5,512,897
Contributions	8,715,050	285,500	9,000,550
TOTAL SUPPORT	<u>10,428,020</u>	<u>4,085,427</u>	<u>14,513,447</u>
REVENUE:			
Program service fees	314,872	-	314,872
Other income	27,882	-	27,882
Net investment return	30,015	-	30,015
TOTAL REVENUE	<u>372,769</u>	<u>-</u>	<u>372,769</u>
	10,800,789	4,085,427	14,886,216
Net assets released from restrictions	2,743,836	(2,743,836)	-
TOTAL SUPPORT AND REVENUE	<u>13,544,625</u>	<u>1,341,591</u>	<u>14,886,216</u>
EXPENSES:			
Program services	4,401,307	-	4,401,307
Management and general	957,951	-	957,951
Fundraising	72,079	-	72,079
TOTAL EXPENSES	<u>5,431,337</u>	<u>-</u>	<u>5,431,337</u>
CHANGES IN NET ASSETS	8,113,288	1,341,591	9,454,879
NET ASSETS - BEGINNING OF YEAR	<u>1,748,867</u>	<u>2,156,679</u>	<u>3,905,546</u>
NET ASSETS - END OF YEAR, AS RESTATED	<u>\$ 9,862,155</u>	<u>\$ 3,498,270</u>	<u>\$ 13,360,425</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (2,008,658)	\$ 9,454,879
Adjustments to reconcile changes in net assets to cash (used in) provided by operating activities:		
Depreciation expense	1,187	1,476
Net change in fair value of investments	(329,930)	(455)
Change in cash arising from changes in assets and liabilities:		
Accounts receivable	(76,345)	14,700
Employee advances receivable	2,086	9,064
Grants and contributions receivable	248,297	(1,241,469)
Prepaid expenses	(51,472)	(38,290)
Right of use lease	3,190	-
Accounts payable	27,729	34,002
Accrued payroll related expenses	(4,163)	(1,272)
Grants payable	(60,000)	88,500
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(2,248,079)</u>	<u>8,321,135</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	2,209	-
Purchase of equipment	-	(2,662)
Purchase of investments	(3,427,079)	(440,876)
Sales of investments	555,299	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,869,571)</u>	<u>(443,538)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,117,650)	7,877,597
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>11,825,368</u>	<u>3,947,771</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,707,718</u>	<u>\$ 11,825,368</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 3,934,905	\$ 6,236,684
Cash and cash equivalents, noncurrent	2,772,813	5,588,684
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 6,707,718</u>	<u>\$ 11,825,368</u>
SUPPLEMENTAL DISCLOSURES:		
Non-cash activity:		
Lease asset obtained in exchange for operating lease liability	\$ 138,532	\$ -

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, 2023 and 2022

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	2023			2022	
	Program Services	Management and General	Fundraising	Totals	Totals
Salaries and wages	\$ 1,183,667	\$ 494,152	\$ 124,207	\$ 1,802,026	\$ 1,441,018
Employee benefits	111,463	61,932	11,691	185,086	148,495
Payroll taxes	27,899	18,804	8,419	55,122	43,667
Total personnel	1,323,029	574,888	144,317	2,042,234	1,633,180
Grants to partners	2,592,146	-	-	2,592,146	1,667,067
Subcontractors	1,250,779	39,773	19,026	1,309,578	990,926
Travel	553,738	8,264	11,294	573,296	411,011
Consulting	314,407	-	-	314,407	307,006
Networking and meetings	118,799	4,904	378	124,081	134,426
Professional fees	18,016	74,221	-	92,237	87,269
Communications and publications	70,571	-	-	70,571	43,402
Office expense	11,160	54,007	802	65,969	85,517
Rent and lease expense	3,744	35,058	-	38,802	5,062
Bank fees	1,539	21,673	-	23,212	11,409
Professional development	14,884	5,943	-	20,827	19,852
Insurance	-	9,666	-	9,666	10,652
Dues, fees, and taxes	7,547	1,985	90	9,622	17,450
Depreciation expense	-	1,187	-	1,187	1,476
Miscellaneous	232	899	41	1,172	5,632
Total functional expenses	\$ 6,280,591	\$ 832,468	\$ 175,948	\$ 7,289,007	\$ 5,431,337

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, 2023 and 2022

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	2022			
	Program Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 832,377	\$ 548,134	\$ 60,507	\$ 1,441,018
Employee benefits	94,335	49,554	4,606	148,495
Payroll taxes	20,906	19,011	3,750	43,667
Total personnel	<u>947,618</u>	<u>616,699</u>	<u>68,863</u>	<u>1,633,180</u>
Grants to partners	1,667,067	-	-	1,667,067
Subcontractors	873,487	114,240	3,199	990,926
Travel	387,735	23,276	-	411,011
Consulting	290,844	16,162	-	307,006
Networking and meetings	128,952	5,457	17	134,426
Professional fees	10,342	76,927	-	87,269
Communications and publications	41,908	1,494	-	43,402
Office expense	29,208	56,309	-	85,517
Rent and lease expense	127	4,935	-	5,062
Bank fees	223	11,186	-	11,409
Professional development	8,451	11,401	-	19,852
Insurance	1,438	9,214	-	10,652
Dues, fees, and taxes	11,320	6,130	-	17,450
Depreciation expense	-	1,476	-	1,476
Miscellaneous	2,587	3,045	-	5,632
Total functional expenses	<u>\$ 4,401,307</u>	<u>\$ 957,951</u>	<u>\$ 72,079</u>	<u>\$ 5,431,337</u>

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.

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, 2023 and 2022.

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.

D. Investments.

Investments are stated at fair value based on readily available published values. Net investment income includes dividends and interest, realized and unrealized gains and losses, less investment fees.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accounts Receivable.

Accounts receivable are recorded at net realizable value. Collections from customers are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts, taking into account geographical and industry specific economic factors. The Organization also considers any specific customer collection issues. At origination, the Organization evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit ratings, probabilities of default, industry trends and other internal metrics. On a continuing basis, data for each major customer is regularly reviewed based on past-due status to evaluate the adequacy of the allowance for credit losses. Actual write-offs are charged against the allowance. There were no write offs in the years ended December 31, 2023 and 2022, and no allowance was considered necessary.

F. 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, 2023 and 2022, management deemed all grants and contributions receivable fully collectible.

G. 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.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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. 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.

I. Contributed Nonfinancial Assets.

The Organization recognizes contributed services if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Organization. There were no such services in the years ended December 31, 2023 or 2022. Additionally, a number of persons have donated a significant amount of time and services to the Organization's operations, and the Organization's officers and board of directors serve without compensation. The financial statements also do not reflect the value of these contributed services as they do not meet recognition criteria prescribed by U.S. GAAP.

J. 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, 2023 and 2022.

K. Leases.

The Organization determines if an arrangement is a lease at inception and reassesses if there are changes in terms and conditions of the contract. Operating leases are included in right of use assets - operating leases, and operating lease liabilities on the statements of financial position. Lease assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Organization's leases do not provide an implicit rate, the Organization uses a risk free rate based on the information available at the commencement date in determining the present value of future payments. Lease assets also include any lease payments made before lease commencement and initial direct costs and reduced for any lease incentives. In determining the lease term at lease commencement, the Organization includes the noncancellable term and the periods which the Organization deems it is reasonably certain to exercise or not to exercise a renewal or cancellation option. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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.

M. 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, and those differences could be material.

N. Functional Currency.

The functional currency of the Organization is United States dollars, which is the currency of the primary economic environment in which the Organization operates. The results and financial position of the Organization are expressed in United States dollars.

Transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses are recognized in profit or loss in the period in which they arise and are recorded in other income.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Tax Status.

The Organization was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and was 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 in 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 ended December 2022, after which the IRS considered the Organization a public charity for all purposes from the beginning of the 60 month period and thereafter. In June 2023, the IRS notified the Organization their application had been approved to operate as a public charity.

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.

P. New Accounting Pronouncement.

In June 2016, the Financial Standards Accounting Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard was effective January 1, 2023.

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 December 31:

Liquid Current Assets:	2023	2022
Cash and cash equivalents	\$ 3,934,905	\$ 6,236,684
Accounts and employee advances receivable	88,110	13,851
Grants and contributions receivable	913,874	1,269,896
	<u>4,936,889</u>	<u>7,520,431</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor	(3,104,924)	(3,373,697)
Designation by board as operating reserve	<u>-</u>	<u>(275,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,831,965</u>	<u>\$ 3,871,734</u>

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

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LIQUIDITY AND AVAILABILITY (CONTINUED)

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, management has invested a large portion of their holdings into an investment fund, classified as cash and cash equivalents, noncurrent and investments totaling \$6,415,854 and \$6,030,015 at December 31, 2023 and 2022, respectively. Of these holdings, \$2,500,000 has been designated by the board as an operating reserve at December 31, 2023 and 2022. This funding could be withdrawn from the fund and utilized for general operations should management and the board deem this to be necessary. Management believes the financial assets available are sufficient to cover general expenditures within one year.

FAIR VALUE OF ASSETS

U.S. GAAP defines fair value as the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e., the exit price). U.S. GAAP also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets that are not active, or determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the asset, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

The Organization's investments at December 31, 2023 and 2022, are classified as Level 1.

MALIASILI INITIATIVES, INC. AND SUBSIDIARY

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FAIR VALUE OF ASSETS (CONTINUED)

The following tables summarize the assets of the Organization for which fair values are determined on a recurring basis as of December 31, 2023 and 2022. As required by U.S. GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Fixed income funds	\$ 1,762,800	\$ -	\$ -	\$ 1,762,800
Exchange traded funds	1,253,928	-	-	1,253,928
Equity funds	468,957	-	-	468,957
Bond funds	157,356	-	-	157,356
	<u>\$ 3,643,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,643,041</u>

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 374,299	\$ -	\$ -	\$ 374,299
Mutual funds	67,032	-	-	67,032
	<u>\$ 441,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,331</u>

GRANTS AND CONTRIBUTIONS

Unconditional grants and contributions receivable are as follows for the years ended December 31:

	2023	2022
Receivable in less than one year	\$ 913,874	\$ 1,269,896
Receivable in one to five years	232,298	124,573
	<u>\$ 1,146,172</u>	<u>\$ 1,394,469</u>

Conditional grants and contributions at December 31, 2023, totaled \$1,450,750, and will be recognized as revenue when the conditions upon which they depend are substantially met. Conditional grants and contributions at December 31, 2022, totaled \$1,509,927. During the year ended December 31, 2023, \$506,659 was recognized as revenue when conditions were met. \$1,000,000 remains conditional at December 31, 2023, and \$3,268 is no longer available to the Organization.

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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 \$13,991 and \$15,155, for the years ended December 31, 2023 and 2022, 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 \$1,141 and \$292, for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022, for performance obligations completed at multiple points in time totaled \$365,009 and \$314,872, respectively. There were receivables related to contracts with customers totaling \$86,345 and \$10,000, at December 31, 2023 and 2022, respectively, which are shown as accounts receivable on the consolidated statements of financial position. There is no deferred revenue at December 31, 2023 and 2022.

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.

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LEASE OBLIGATIONS

The Organization entered into a lease for office space in Kenya effective March 1, 2023. The original lease term spans two years, and renews for additional two year periods thereafter on each successive anniversary. Currently, the Organization believes they will occupy the space for four years, with the lease term ending February 28, 2027. The terms on the lease require a starting monthly payment of \$2,900, with 7% escalations per annum thereafter.

Other information related to the lease is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating lease	\$ 26,100
Right of use asset obtained in exchange for lease obligations:	
Operating lease:	\$ 138,532
Weighted-average remaining lease term (in years):	
Operating lease:	3.17
Weighted-average discount rate:	
Operating lease:	4.4%

Future minimum rent payments at December 31, 2023 are as follows:

<u>Year ending December 31,</u>	
2024	\$ 36,830
2025	39,408
2026	42,166
2027	7,105
Total future minimum lease payments	<u>125,509</u>
Less present value discount	<u>(8,395)</u>
Total lease liability	<u><u>117,114</u></u>

Rent expense under this lease for the year ended December 31, 2023, was \$32,190 and is included in rent and lease expense on the statement of functional expenses.

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions includes \$2,500,000 at December 31, 2023 and 2022, designated by the board as an operating reserve, and \$3,119,937 at December 31, 2023 designated by the board for the Maliasili Conservation Fund.

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NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Maliasili Conservation Fund	\$ 1,650,000	\$ 2,500,000
General program support	1,069,994	515,531
Amplifying Local Conservation Voices	225,000	-
Madagascar Environmental Leadership Program	160,000	-
Congo Leadership Program	97,048	-
African Conservation Leadership Network	70,000	-
General grants to partners	65,180	25,000
Maasai Landscape Conservation Fund	-	320,028
Drought Relief	-	130,000
Madagascar Leadership Program	-	7,711
	<u>\$ 3,337,222</u>	<u>\$ 3,498,270</u>
Total net assets with donor restrictions		

CONCENTRATIONS

Support from four funding sources constitutes 63%, and support from three funding sources constitutes 75% of total support and revenue received during the years ended December 31, 2023 and 2022, respectively. Grants and contributions receivable from four donors represents 92%, and receivables from one donor represents 54% of total grants and contributions receivable at December 31, 2023 and 2022, respectively. A loss or significant decline in these funding sources could have a detrimental impact on the operations of the Organization.

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.

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RESTATEMENT OF NET ASSETS

During the year ended December 31, 2023, management noted that net assets without donor restrictions as of December 31, 2022 were not properly reflected in the financial statements. This was due to some releases for grants to others not being accounted for. This resulted in net assets with donor restrictions being overstated, and net assets without donor restrictions being understated at December 31, 2022. Total net assets was not impacted by the restatement. The following balances were restated for the year ending December 31, 2022:

	<u>December 31, 2022</u> <u>Originally Reported</u>	<u>Adjustments</u>	<u>December 31, 2022</u> <u>Restated Balances</u>
Beginning net assets without donor restrictions	\$ 9,534,758	\$ 327,397	\$ 9,862,155
Beginning net assets with donor restrictions	3,825,667	(327,397)	3,498,270

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.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through July 1, 2024, which was the date that the consolidated financial statements were available to be issued. Management did not identify any events that occurred subsequent to year-end that require disclosure in the consolidated financial statements.