

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED MARCH 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

# MALALA FUND

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Malala Fund  
Washington, D.C.

We have audited the accompanying financial statements of the Malala Fund (the Organization), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities and change in net assets, functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 the Organization as of March 31, 2018, and the change 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.

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### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

August 29, 2018

**MALALA FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

**ASSETS**

|   | <u>2018</u>                 | <u>2017</u>                 |
|---|-----------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>                                   |                             |                             |
| Cash and cash equivalents                               | \$ 7,389,068                | \$ 4,858,130                |
| Pledges receivable                                      | 4,676,666                   | 4,022,970                   |
| Prepaid expenses  | <u>39,444</u>               | <u>11,074</u>               |
| Total current assets                                    | <u>12,105,178</u>           | <u>8,892,174</u>            |
| <b>OTHER ASSETS</b>                                     |                             |                             |
| Security deposit  | 29,100                      | -                           |
| Pledges receivable, net of current portion and discount | <u>4,121,470</u>            | <u>5,038,909</u>            |
| Total other assets                                      | <u>4,150,570</u>            | <u>5,038,909</u>            |
| <b>TOTAL ASSETS</b>                                     | <b><u>\$ 16,255,748</u></b> | <b><u>\$ 13,931,083</u></b> |

**LIABILITIES AND NET ASSETS**

|  |                             |                             |
|--|-----------------------------|-----------------------------|
| <b>CURRENT LIABILITIES</b>               |                             |                             |
| Accounts payable and accrued liabilities | \$ 230,343                  | \$ 15,008                   |
| Accrued salaries and related benefits    | 115,879                     | 126,646                     |
| Grants payable                           | <u>2,701,373</u>            | <u>2,154,346</u>            |
| Total current liabilities                | <u>3,047,595</u>            | <u>2,296,000</u>            |
| <b>LONG-TERM LIABILITIES</b>             |                             |                             |
| Grants payable, net of current portion   | <u>1,489,088</u>            | <u>847,467</u>              |
| Total liabilities                        | <u>4,536,683</u>            | <u>3,143,467</u>            |
| <b>NET ASSETS</b>                        |                             |                             |
| Unrestricted                             | 3,932,687                   | 2,855,618                   |
| Temporarily restricted                   | <u>7,786,378</u>            | <u>7,931,998</u>            |
| Total net assets                         | <u>11,719,065</u>           | <u>10,787,616</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b><u>\$ 16,255,748</u></b> | <b><u>\$ 13,931,083</u></b> |

## MALALA FUND

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|  | 2018                               |                            |                                    | 2017                             |
|--|------------------------------------|----------------------------|------------------------------------|----------------------------------|
|  | Unrestricted                       | Temporarily<br>Restricted  | Total                              | Total                            |
| <b>REVENUE</b>                                 |                                    |                            |                                    |                                  |
| Contributions                                  | \$ 2,174,233                       | \$ 100,000                 | \$ 2,274,233                       | \$ 1,939,140                     |
| Foundation Grants & Major Gifts                | 745,955                            | 782,676                    | 1,528,631                          | 14,413,283                       |
| Corporations Grants                            | 3,822,309                          | 2,100,182                  | 5,922,491                          | 1,025,063                        |
| Spinoff Grants from New Venture<br>Fund        | 19,880                             | -                          | 19,880                             | 2,432,116                        |
| Interest income                                | 10,854                             | -                          | 10,854                             | 4,324                            |
| Contributed services and materials             | 300                                | -                          | 300                                | -                                |
| Net assets released from donor<br>restrictions | <u>3,128,478</u>                   | <u>(3,128,478)</u>         | <u>-</u>                           | <u>-</u>                         |
| Total revenue                                  | <u>9,902,009</u>                   | <u>(145,620)</u>           | <u>9,756,389</u>                   | <u>19,813,926</u>                |
| <b>EXPENSES</b>                                |                                    |                            |                                    |                                  |
| Program Services:                              |                                    |                            |                                    |                                  |
| Programs and Advocacy                          | 5,814,774                          | -                          | 5,814,774                          | 6,408,105                        |
| Communication and Digital<br>Film Campaign     | <u>746,846</u><br><u>472,645</u>   | <u>-</u><br><u>-</u>       | <u>746,846</u><br><u>472,645</u>   | <u>602,815</u><br><u>479,193</u> |
| Total program services                         | <u>7,034,265</u>                   | <u>-</u>                   | <u>7,034,265</u>                   | <u>7,490,113</u>                 |
| Supporting Services:                           |                                    |                            |                                    |                                  |
| Management and General<br>Fundraising          | <u>1,029,513</u><br><u>761,162</u> | <u>-</u><br><u>-</u>       | <u>1,029,513</u><br><u>761,162</u> | <u>879,125</u><br><u>707,072</u> |
| Total supporting services                      | <u>1,790,675</u>                   | <u>-</u>                   | <u>1,790,675</u>                   | <u>1,586,197</u>                 |
| Total expenses                                 | <u>8,824,940</u>                   | <u>-</u>                   | <u>8,824,940</u>                   | <u>9,076,310</u>                 |
| Change in net assets                           | 1,077,069                          | (145,620)                  | 931,449                            | 10,737,616                       |
| Net assets at beginning of year                | <u>2,855,618</u>                   | <u>7,931,998</u>           | <u>10,787,616</u>                  | <u>50,000</u>                    |
| <b>NET ASSETS AT END OF YEAR</b>               | <b><u>\$ 3,932,687</u></b>         | <b><u>\$ 7,786,378</u></b> | <b><u>\$ 11,719,065</u></b>        | <b><u>\$ 10,787,616</u></b>      |

## MALALA FUND

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|  | 2018                  |                           |                   |                        |                        |                   |                           | 2017                |                     |
|--|-----------------------|---------------------------|-------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|---------------------|
|  | Program Services      |                           |                   | Supporting Services    |                        |                   |                           | Total Expenses      | Total Expenses      |
|  | Programs and Advocacy | Communication and Digital | Film Campaign     | Total Program Services | Management and General | Fundraising       | Total Supporting Services |                     |                     |
| Personnel                              | \$ 686,698            | \$ 387,371                | \$ 376,657        | \$ 1,450,726           | \$ 387,155             | \$ 391,288        | \$ 778,443                | \$ 2,229,169        | \$ 1,905,169        |
| Grant expenses                         | 4,025,030             | -                         | -                 | 4,025,030              | -                      | -                 | -                         | 4,025,030           | 4,935,276           |
| Professional services                  | 561,169               | 161,197                   | 44,000            | 766,366                | 432,848                | 251,310           | 684,158                   | 1,450,524           | 1,496,517           |
| Occupancy                              | 129,083               | 37,084                    | 28,184            | 194,351                | 60,506                 | 32,723            | 93,229                    | 287,580             | 210,461             |
| Insurance                              | -                     | -                         | -                 | -                      | 18,071                 | -                 | 18,071                    | 18,071              | 23,060              |
| Travel                                 | 346,678               | 103,458                   | 7,671             | 457,807                | 51,170                 | 39,861            | 91,031                    | 548,838             | 319,245             |
| Office expenses                        | 10,222                | 1,436                     | 12,966            | 24,624                 | 10,226                 | 7,099             | 17,325                    | 41,949              | 54,793              |
| Office equipment and software          | 6,445                 | 14,833                    | 1,546             | 22,824                 | 20,021                 | 24,911            | 44,932                    | 67,756              | 28,312              |
| Communications                         | 7,955                 | 4,605                     | 1,426             | 13,986                 | 8,031                  | 3,864             | 11,895                    | 25,881              | 35,401              |
| Financial and donation processing fees | 1,188                 | 660                       | -                 | 1,848                  | 32,805                 | 6,524             | 39,329                    | 41,177              | 44,388              |
| Other expenses                         | 40,306                | 36,202                    | 195               | 76,703                 | 8,680                  | 3,582             | 12,262                    | 88,965              | 23,688              |
| <b>TOTAL</b>                           | <b>\$ 5,814,774</b>   | <b>\$ 746,846</b>         | <b>\$ 472,645</b> | <b>\$ 7,034,265</b>    | <b>\$ 1,029,513</b>    | <b>\$ 761,162</b> | <b>\$ 1,790,675</b>       | <b>\$ 8,824,940</b> | <b>\$ 9,076,310</b> |

See accompanying notes to financial statements.

## MALALA FUND

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|   | <u>2018</u>                | <u>2017</u>                |
|---|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |                            |
| Change in net assets  | \$ 931,449                 | \$ 10,737,616              |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                            |                            |
| Discount on long-term receivables   | (92,632)                   | 213,031                    |
| Decrease (increase) in:   |                            |                            |
| Pledges receivable  | 356,375                    | (9,274,910)                |
| Prepaid expenses  | (28,370)                   | (11,074)                   |
| Security deposit  | (29,100)                   | -                          |
| Increase (decrease) in:   |                            |                            |
| Accounts payable and accrued liabilities  | 215,335                    | 15,008                     |
| Accrued salaries and related benefits   | (10,767)                   | 126,646                    |
| Grants payable  | <u>1,188,648</u>           | <u>3,001,813</u>           |
| Net cash provided by operating activities   | <u>2,530,938</u>           | <u>4,808,130</u>           |
| Net increase in cash and cash equivalents   | 2,530,938                  | 4,808,130                  |
| Cash and cash equivalents at beginning of year  | <u>4,858,130</u>           | <u>50,000</u>              |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <b><u>\$ 7,389,068</u></b> | <b><u>\$ 4,858,130</u></b> |



## MALALA FUND

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

The Malala Fund (the Organization) was incorporated as a non-profit organization under the laws of the State of Delaware. The Organization is located in Washington, D.C., New York and in London, United Kingdom. Inspired and led by Malala Yousafzai, the Organization's mission is working toward a world where all girls can learn for 12 years and lead without fear.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2017, from which the summarized information was derived.

##### Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

##### Pledges receivable -

Pledges receivable are recorded at their net realizable value, which approximates fair value. Pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. All pledges are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Grants payables -

Grants payable are recorded as a liability when the commitment has been made by the Organization. Grants payable over the next fiscal years are recorded as liabilities in the accompanying financial statement.

##### Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

## MALALA FUND

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Uncertain tax positions -

For the year ended March 31, 2018, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the 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 Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

##### Contributed services and materials -

Contributed services and materials consist of donated space. Contributed services and materials are recorded at their fair market value as of the date of the gift.

##### Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## MALALA FUND

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncement (not yet adopted) -

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organization's financial statements, it is not expected to alter the Organization's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organization plans to adopt the new ASUs at the respective required implementation dates.

#### 2. PLEDGES RECEIVABLE

As of March 1, 2018, the Organization received unconditional pledges totaling \$12,771,14. As of March 31, \$8,798,136 remains outstanding. All outstanding pledges are to be collected within three years. Pledges due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate ranging from 4.5%.

Following is a schedule of pledges receivable at March 31, 2018:

|  |                            |
|--|----------------------------|
| Less than one year                                   | \$ 4,676,666               |
| One to five years                                    | <u>4,241,869</u>           |
| Total  | 8,918,535                  |
| Less: Allowance to discount balance to present value | <u>(120,399)</u>           |
| <b>PLEDGES RECEIVABLE</b>                            | <b><u>\$ 8,798,136</u></b> |

**MALALA FUND**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018**

**3. GRANTS PAYABLE**

As of March 31, 2018, the Organization committed funds to various grantees payable at various times through 2021, totaling \$8,215,491. Grants authorized and expended during the year ended March 31, 2018 totaled \$4,025,030. All outstanding payables are to be paid within three years.

Following is a schedule of grants payable at March 31, 2018:

|                             |                            |
|-----------------------------|----------------------------|
| Less than one year          | \$ 2,701,373               |
| One to five years           | <u>1,489,088</u>           |
| <b>TOTAL GRANTS PAYABLE</b> | <b><u>\$ 4,190,461</u></b> |

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at March 31, 2018:

|  |                            |
|--|----------------------------|
| Programs                                       | \$ 3,553,760               |
| Time Restriction                               | <u>4,232,618</u>           |
| <b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b> | <b><u>\$ 7,786,378</u></b> |

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

|                 |                            |
|-----------------|----------------------------|
| Programs        | \$ 1,489,526               |
| Passage of time | <u>1,638,952</u>           |
|                 | <b><u>\$ 3,128,478</u></b> |

**5. LEASE COMMITMENTS**

The Organization leases various month-to-month work-station office spaces in Washington, D.C., New York, California and the United Kingdom.

Rent expense for the year ended March 31, 2018 was \$287,580.

**6. RETIREMENT PLAN**

The Organization provides retirement benefits to its employees through a 403(b) plan covering all full-time employees upon hire. The Organization provides up to a 3% match of each eligible employee's contribution. Contributions to the plan during the year ended March 31, 2018 totaled \$48,513.

**7. RELATED ENTITY**

Malala Fund USA and Malala Fund UK (whose application to operate as its own charitable organization was still pending as of March 31, 2018) are related entities. The two organizations share staff and members of the Board of Directors, including the President.

**MALALA FUND**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018**

**7. RELATED ENTITY (Continued)**

Malala Fund USA funds the operations of the Malala Fund UK. During the year ended March 31, 2018, Malala Fund USA granted the Malala Fund UK a grant in the amount of \$458,866 which is included in grants expenses in the Statement of Activities and Change in Net Assets. As of year-end, Malala Fund USA had a grant payable of \$323,466 due to Malala Fund UK for operating expenses.

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 29, 2018, the date the financial statements were issued.